Austria Sch22	Indonesia Rp3100	Portugal Esc100
Bahrain Din0.650	Israel NIS3.50	S.Arabia Rls6.00
Belgium BFr48	Italy L1600	Singapore S$4.10
Canada C$1.00	Japan Y600	Spain Pta125
Cyprus C£0.75	Jordan Fils500	Sri Lanka Rup30
Denmark DKr9.00	Kuwait Fils500	Sweden SKr8.00
Egypt E£2.25	Lebanon $L125.00	Switzerland SFr2.20
Finland Fmk7.00	Luxembourg LFr48	Taiwan NT$85
France FFr6.50	Malaysia Rm4.25	Thailand Bht50
Germany DM2.20	Mexico Pes300	Tunisia Din0.800
Greece Dr100	Morocco Dh6.00	Turkey L500
Hong Kong HK$12	Netherlands Fl3.00	UAE Dh6.50
India Rup15	Norway Nkr8.00	USA $1.00

FINANCIAL TIMES

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Superhuman agenda to be tackled by the EC, Page 4

World News

Soviet-US summit speculation mounts

Moscow was willing to hold a superpower summit in Washington and it could take place this year, the deputy leader of the Soviet Union's UN delegation said.

He said Moscow placed great importance on a summit at which President Ronald Reagan and Soviet leader Mikhail Gorbachev would sign an agreement scrapping medium- and shorter-range nuclear missiles and that Washington was the only site being considered.

Earlier, in Moscow, Soviet Foreign Minister Eduard Shevardnadze called in US Ambassador Jack Matlock for a meeting, raising speculation that the Kremlin could be making a fresh proposal on a summit. Page 3

West intensifies pressure on Iran

Foreign and defence ministers of the seven-nation Western Defence Union called for further prompt measures against Iran if it did not rapidly respond to a UN call for a ceasefire with Iraq. Page 28

Meanwhile the Iranian opposition group People's Mojahedin said Iran had moved another Silkworm missile and its launcher towrds the Faw peninsula in preparation for a fresh attack in the Gulf.

Mass arrests in India

Indian police detained 3,000 demonstrators in Tamil Nadu, south India, as they tried to picket central government offices in protest over Indian military action against fellow Tamils in Sri Lanka.

Punjab killings

Ten people were killed and several others injured in Punjab as suspected Sikh extremists launched attacks at six different locations in the state.

Channel ports blocked

French fishermen renewed their blockade of Calais and Boulogne in protest against Britain's extension of territorial waters, after allowing some ships to enter and leave overnight. Extra services from England to Zeebrugge and Ostend were arranged.

S. Korean referendum

South Koreans approved a democratic constitution expected to lead to the first direct presidential election in 16 years, according to early unofficial returns from the national referendum. Page 4

Manila TV blackout

Two Manila television stations went off the air after a fire, preceded by a loud explosion, broke out in a suburban broadcasting complex. US aid, Page 4

Investor kills himself

A US investor who reportedly lost $500,000 in last week's stock market crash committed suicide in Wisconsin after his broker demanded repayment of loans.

Brussels aids Poland

The EC Commission said it would send Ecu2m ($2.33m) of emergency medical aid to Poland following appeals from the Roman Catholic Church in Poland.

IRA targets women

The IRA warned that wives and girlfriends of British security forces would be a prime target in its guerrilla war for a united Ireland.

Prosecutor sacked

The state prosecutor and his deputy in the Yugoslavian republic of Bosnia-Herzegovina were sacked for their role in a multi-million-dollar finance scandal.

Porno network taxed

France is to impose a 33 per cent sales tax on its booming pornographic videotext network which provides subscribers with computerised lonely-hearts columns.

Business Summary

KIO builds $2.4bn stake in Spanish industries

KUWAIT Investment Office, official Kuwaiti investment agency, has built up direct holdings in Spain over the past 14 months, including important *stakes in pulp and paper, and* chemical and sugar industries, worth $1.77bn, with a further $650m indirect holdings through Torras Hostench, Barcelona-based paper company. Page 31

CHRYSLER, third largest US car maker, had an 8 per cent improvement in profits the third-quarter, reporting net earnings of $253m or $1.15 a share, compared with $235m or $1.06 a share a year ago. Page 29

GOLD fell on London bullion market to close at $475.75 ($476.125); In Zurich it fell $3.00 to $473.25. Page 35

DOLLAR fell in London to DM1.7635 (DM1.7755); to FFr5.9075 (FFr5.9475); to SFr1.4540 (SFr1.4625); and to Y141.60 (Y142.20). On Bank of England figures, dollar's exchange rate index was unchanged at 99.6. Page 35

STERLING rose in London to $1.6960 ($1.6890); remained unchanged at Y240.25; but fell to DM2.99 (DM2.9975); to FFr10.02 (FFr10.0450); and to SFr2.4650 (SFr2.47). Pound's exchange rate index was unchanged at 74.1. Page 35

BOEING, world's largest aircraft manufacturer, reported a deterioration in net profits for three months ended September 30 to $104m or 67 cents a share, compared with $157m or $1.01 a year earlier. Page 29

EASTERN Air Lines, main subsidiary of Texas Air Corporation, biggest US airline group, suffered third-quarter loss of $67m after tax, compared with a profit of $18m for same period last year. Page 29

L F ROTHSCHILD, prominent Wall Street broker, suffered net losses of $44m - equivalent to one-quarter of its total shareholders' funds - as a result of the "unprecedented downturn in equity markets" during the past two weeks. Page 29

MOBIL, second largest US oil company, made net profits of $319m or 77 cents a share in the third-quarter - 4 per cent lower than corresponding figures a year ago, after adjusting for a one-time loss of $150m. Page 29

SCOTT PAPER, *world's largest* producer of toilet tissues, has announced plans to spend more than $250m on new paper machines in Europe, which it expects will lead to a 10 per cent increase in its 6,500-strong European workforce over the next three years. Page 29

EQUITICORP Holdings, New Zealand investment company, has reported first half-year net profit jumped 72 per cent to NZ$55.24m (US$35.8m) compared with NZ$32.08m. Page 20

MIM Holdings, Australian base metals and coal mining group, announced net profits rose to A$11.69m (US$8.33m) in the first 12 weeks ended September 27 from A$9.93m in the same period to September 14 last year. Page 20

TOSHIBA, leading Japanese electronics company, staged sharp jump in pre-tax profits in the six months *to September*, more than doubling to Y24.98bn ($175.7m) from Y12.4bn in the same period last year. Page 20

VEREENIGING Refractories, South African industrial refractories and building products manufacturer, lifted turnover in the six months to September to R101.5m ($50.23m) from R86.0m in the corresponding six months of 1986. Page 20

NOKIA, Finish electronics, cable, paper and rubber products company, trebled its profit before taxes and minority interests to FM668m ($153m) during the first eight months of 1987, compared with a profit of FM694m for the whole of 1986. Page 31

ELKEM, Norwegian metals group, reported a loss of NKr125m($18.8m) before extraordinary items in the first nine months, compared with a loss of NKr151m the previous *year*. Page 31

Markets stage faltering recovery • Top level talks begin on deficit • President pledges non-partisan approach to budget

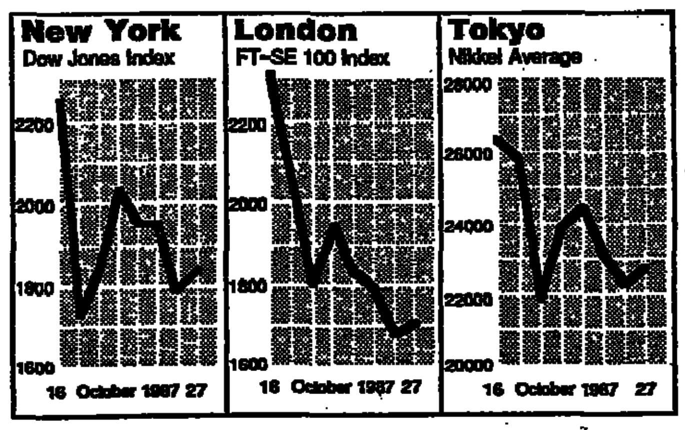
Reagan admits economic threat

BY STEWART FLEMING IN WASHINGTON, JANET BUSH IN LONDON AND RODERICK ORAM IN NEW YORK

PRESIDENT Ronald Reagan yesterday acknowledged for the first time that the stock market crash represented a serious threat to the economic outlook and pledged to put politics aside in negotiating a budget deficit compromise.

His statement came on a day when global equity markets staged a faltering recovery and bond prices *fell, reversing Monday's* pattern.

Stock markets in Tokyo, London and Wall Street all closed higher, although the gains nowhere near made up for Monday's sharp declines. Trading was still very nervous as all eyes were trained on political activity in Washington.



Mr Reagan was speaking some hours before White House and Congressional negotiators sat down for the first round of *top level talks on the deficit* which the President agreed to participate in on Monday.

He said: "Anyone who doubted that these threats to our future growth were serious should have been set straight in the last couple of weeks.

"Recently the stock market has alerted us of potential dangers on the economic horizon...it is time to put aside partisan rivalries and work together for our nation's future."

The President's statement follows a week during which his confusing and, at times, apparently contradictory comments on the significance of the stock market crash contributed to nervousness on Wall Street.

As recently as Monday, in an interview with foreign television journalists, Mr Reagan brushed off the collapse in share prices as "correction".

Traders, not only on Wall Street but in other major stock markets, have been looking for signs of what they would regard as a realistic assessment of the situation in Washington.

Wall Street has not been so intently preoccupied with developments in Washington since *1982 when the markets* were seeking interest rate cuts which eventually triggered the 1982-87 bull market or 1980 at the height of the Hunt silver crisis, traders suggested.

With the help of a better tone in overseas markets, Wall *Street stocks managed to* post modest gains yesterday. Investors remained nervous, however, and their urge to buy faded during morning business in New York as they turned their attention to budget negotiations in Washington.

"The market is sending the Administration a message that it would like to see some flexibility on spending and raising revenues," said Mr Thomas Ryan, head equity trader at Kidder Peabody.

Fears that large US budget and trade deficits would push up interest rates and further devalue the dollar helped trigger the stock market's collapse last week.

If Congress and the Administration agree in coming days on spending cuts and tax increases, Wall Street stocks could enjoy a solid rally independent of the tone or performance of foreign markets, Mr Ryan said.

From a gain of more than 80 points shortly after the opening, the Dow Jones Industrial Average drifted back to close up only 52.55 points at 1,846.48.

US bonds were undermined by the better performance of equity markets, a weaker dollar and a lack of confidence among investors that bonds would add in the short term to their recent spectacular gains. The Treasury's benchmark 30-year bond fell almost two points.

Meanwhile, International Business Machines, the world's largest computer company, yesterday joined the rush by US companies to buy in their own shares. It said its board had authorised the spending of up to $1bn to continue repurchasing its stock in blocks of at least 5,000 shares.

In Tokyo, share prices had rebounded strongly yesterday, taking heart from reassuring comments by Mr Satoshi Sumita, Governor of the Bank of Japan, and Mr Kiichi Miyazawa, Japan's Finance Minister. Mr Sumita said he expected world stock markets to regain their stability now the US was determined to reduce its budget deficit, while Mr Miyazawa said he believed equity prices were near stabilising.

The recovery of more than 800 points in the Nikkei stock average helped share prices in London to open sharply higher but a still highly-nervous stock market failed to hold on to its initial gains.

The FT-SE 100 index closed only 19.2 up at 1703.3, a disappointing recovery from its fall of more than 600 points over the previous six trading sessions. The FT ordinary index closed 14.9 higher at 1,322.0.

UK Government bonds followed the US Treasury bond market lower to close down about ¾ point. The gilt market was also undermined by speculation that the Government may call off its proposed sale of British Petroleum shares, an issue which also dominated talk in the equity market.

If the Government were to call off the BP issue, the equity market would be relieved of a major worry. If the sale goes ahead, the underwriters of the issue would more than likely have to take the bulk of the stock on their books

Markets in turmoil, Page 2; editorial comment, Page 26; Lex, Page 28; IBM buy-back, Page 29; world stocks, Page 46.

White House tries to assert leadership

BY STEWART FLEMING, US EDITOR, IN WASHINGTON

PRESIDENT RONALD Reagan's warning yesterday that the stock market crash represents a threat to the economy marks a new effort by the White House to demonstrate leadership on the economic crisis and to improve the Administration's chances of shaping the outcome of the talks to its advantage.

Since the stock market collapse began in earnest at the beginning of last week, the White House has been deeply divided about how to confront a crisis which has the capacity to recast the economic and political landscape ahead of next year's elections.

The initial reaction of conservatives in the White House was to downplay the stock market "meltdown" for it was evident from the beginning that Democrats on Capitol Hill were preparing to use it as an opportunity to pressure the White House into re-ordering its political priorities.

In particular, there was immediate pressure on the President to accept a tax increase as part of a deficit reduction package and in doing so, by implication, to concede that President Reagan's stubborn resistance to a tax increase has been a blunder.

At the cornerstone of the conservative Republican ideology, which Mr Reagan has been committed to, is the contention that taxes needed to be cut and kept low in order both to stimulate the private sector and keep up the pressure to shrink the role of government in society.

The most visible demonstration of the resistance of some top White House officials to the idea that the stock market crash is fundamentally changing the political outlook was a defiant speech by Mr Jim Miller, the President's budget director last week, in which he insisted that a tax increase was not needed to address the deficit issue.

His comments reportedly infuriated White House pragmatists such as Mr James Baker, the Treasury Secretary. There were even reports - inspired by his enemies - that Mr Miller had outlived his usefulness in the Administration and should therefore be excluded from the President's budget negotiating team on Capitol Hill. In the event, Mr Miller squeezed into the three-man team.

Mr Reagan's statement yesterday suggests that those in the Administration who have been arguing that a budget compromise is needed as part of the effort to stabilise the markets and the economy have the upper hand. The fact that the market has not bounced back from its spectacular decline and that

Continued on Page 28

Dollar hits its lowest level in seven years

BY PHILIP STEPHENS, ECONOMICS CORRESPONDENT IN LONDON

THE dollar fell sharply yesterday, hitting its its lowest levels for more than seven years against other major currencies as leading central banks remained on the sidelines.

The slide came as senior European officials said that there were no plans at present for an early meeting of the Group of Seven nations to bolster international economic policy co-operation.

It appears that there are still significant differences among the seven - the US, Japan, West Germany, France, Britain, Italy and Canada - on how to respond in the longer term to the recent turmoil in financial markets. "We are all agreed that the US budget deficit must come down but beyond that it is much more difficult," one official commented.

Neither Bonn nor Tokyo had so far signalled that they would be willing to respond to a US deficit reduction package with further action to stimulate growth in their economies.

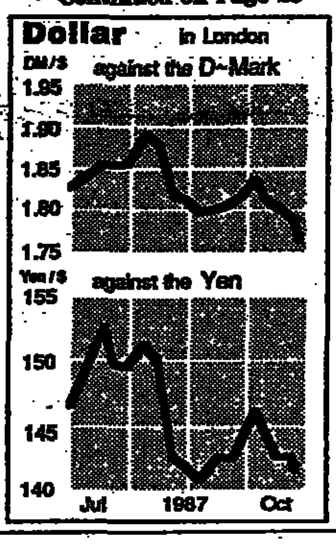
This week's public criticism of West Germany's Bundesbank by Mr Nigel Lawson, Britain's Chancellor of the Exchequer, underlined the differences which have emerged in private discussions between governments and central banks. Mr Lawson said that the Bundesbank should respond to the stock markets' crash by cutting its interest rates.

The officials, however, said that such attacks might well prove counter-productive, encouraging the Bundesbank to stiffen its resistance

Yesterday the dollar was hit by the news of a sharp rise in West Germany's trade surplus last month, by continuing uncertainties over the outcome of negotiations on the US budget deficit and by the absence of central bank intervention.

It closed it London at DM1.7635, 1.2 pfennigs lower than on *Monday* and its lowest level since July 1980. Sterling, which was relatively stable against European currencies, rose to $1.6960, up 0.7 cents and its highest against the US currency since October 1982.

W German trade surplus, Page 3; Lex, Page 28; Currencies, Page 35



TI withdraws from Bundy deal in wake of stock market crash

BY CLAY HARRIS IN LONDON

TI GROUP, the British engineering company, yesterday abruptly pulled out of its agreed $144m acquisition of Bundy, the leading US manufacturer of small-diameter tubing, because of the uncertain economic outlook, in the wake of the worldwide collapse in share prices.

TI is the first large UK company to call off an agreed takeover since the stock market crash, although several transactions involving US companies have already fallen apart and merchant bankers in London yesterday reported that a number of imminent deals had been aborted.

Mr Chris Lewinton, chief executive, said TI could no longer justify paying $40 a share for Bundy. S.G. Warburg and Morgan Stanley, respectively TI's British and US financial advisers, had refused to renew their advice given last month that Bundy represented fair value for the $40 cash offer.

Bundy shares, which fell less than 5 per cent last week because they were underpinned by TI's cash offer, plummeted yesterday in New York, losing $16½ to $20 after a delay to the start of trading. It was trading at $28 before the TI offer was launched.

Mr Lewinton said the decision was based not only on the fall in share prices, but also on the prospect that a decline in US consumer confidence would affect the demand for cars. The motor industry is the main customer for Bundy's small-diameter tubes which are used in fuel and brake lines.

The reversal defeats TI's ambition to become the world leader in the specialised tubing, which is also used in refrigeration equipment.

Mr Lewinton did not exclude a new approach to the US group when markets settle and the economic outlook clears, but it was not known how this might be received by Bundy, which was only told of TI's change of heart on Monday evening.

TI decided against proceeding at the last minute, on the eve of today's extraordinary general meeting at which shareholders were to be asked to approve the acquisition.

Although its tender offer had already been formally launched and Bundy shareholders would have made investment decisions last week on the presumption *that it would proceed*, Mr Lewinton said: "We're advised we have no legal exposure."

He conceded, however, that TI was likely to face lawsuits in the US. TI will insist that its directors' fiduciary duty to shareholders outweighs all other factors. It has been advised by the US law firm Sullivan & Cromwell and London solicitors Allen & Overy.

TI also acknowledged that its

Continued on Page 28

Lex, Page 28

Lawson favours go-ahead for BP

Britain's Chancellor of the Exchequer, Mr Nigel Lawson, yesterday told Parliament that he would prefer that the £7.2bn ($12bn) British Petroleum share offer should go ahead. He said, however, that he hoped to make the final decision by tomorrow, but late last night talks were still continuing between the UK Treasury, the company and N.M. Rothschild, the lead bank involved. Page 28

HK stock market overlord appointed

Robert Fell: urgent brief

By Robin Pauley in London and David Dodwell in Hong Kong

THE HONG Kong Government mounted a concerted campaign yesterday to try to restore international confidence in its troubled securities industry with the appointment of Mr Robert Fell to the newly created post of senior chief executive.

Mr Fell, who retired only two months ago as the *territory's* banking commissioner, will fly to Hong Kong at the weekend with an urgent brief to introduce stock exchange reforms.

Meanwhile, in London, Sir David Wilson, the colony's Governor, predicted that Hong Kong would emerge stronger than ever from the present crisis.

Sir David, who has been closely involved in the plan to bring Mr Fell back, told the Hong Kong Trade Development Council that although the past week's collapse had shown up weaknesses in the colony's market system he was confident the right lessons would be learned and the necessary changes could and would be made.

An early change is expected to be the premature retirement of Mr Ronald Li, the current stock exchange chairman, and his replacement by Mr Charles Sin, *a local solicitor. The* Government is also planning a commission of inquiry into the workings of the futures and equity exchanges.

"The past week's problems are not the first we have faced," Sir David said. "Experience has shown that Hong Kong has the ability to bounce back and also a capacity to learn from mistakes."

The concerted effort to show a calm face came as the Hong Kong Government launched a second HK$2bn ($255m) rescue package to try and shore up the collapsing futures exchange. A HK$2bn lifeboat fund was launched on Sunday but this proved insufficient.

The Hong Kong markets were

Continued on Page 28

CONTENTS

BETTER TIMES ON WAY FOR NORTH YEMEN

President Ali Abdullah Salih, who has helped to create the basis of political stability, Page 26

FINANCIAL MARKETS IN TURMOIL

BP share sale revives dispute over underwriting fees

BY CLIVE WOLMAN

THE PROSPECT of unprecedentedly large underwriting losses on the British Petroleum share sale, which has led the 14 banks which acted as underwriters to ask for it to be abandoned, has also revived the dispute over the level of fees for underwriters and subunderwriters.

Interestingly, the investment committee of the Association of British Insurers, which represents most of the UK subunderwriters who will have to bear the losses of the issue, yesterday urged the Government to proceed.

The renewed dispute was first made public last week by Sir John Nott, chairman of Lazard Brothers, who accused the Government of paying the underwriters too little. And most of his fellow merchant bankers believe that the losses, particularly those suffered by the overseas investment banks, are likely to end the pressure from the Government to cut underwriting fees further.

But what has been surprising in recent years has been the failure of companies to force the investment institutions to cut their fees, despite a widespread feeling that those fees have represented money for old rope.

The fee structure, which has remained unchanged since the 1960s and has been endorsed by the investment committees of the institutions, gives a 1.25 per cent commission to the subunderwriters for the first 30 days that they are on risk, plus 0.125 per cent for every week, or part of a week, thereafter. An extra 0.25 per cent is paid to the broker and 0.5 per cent to the primary underwriters.

As far as the primary underwriters are concerned, the Government has squeezed their fees ruthlessly over the past three years by asking for tenders. The rate was cut from 0.5 to 0.375 per cent in the privatisation of British Telecom, to 0.14 per cent with British Gas, and then remarkably to only 0.018 per cent in the BP sale.

Private sector companies, however, have had much less success with the primary underwriters. And no one, not even the Government, has achieved any reductions in the 1.25 per cent subunderwriting fees, until the BP sale for which only 1.0 per cent was paid.

The inability of companies to negotiate any reduction in those fees has led to claims by merchant bank corporate finance departments that a tacit cartel is operating unchallenged as yet by the Office of Fair Trading. According to one leading merchant bank corporate financier yesterday: "Subunderwriting is the one cartel which has survived Big Bang." It survived, he thought, because of the leverage the investment institutions have as major shareholders in companies making the issues.

The only exceptions to the standard subunderwriting fee structure which have appeared over the past two years have been for small companies making contested bids for much larger ones. Some bidders, such as the Argyll group in its bid for Distillers, or WPP for J.Walter Thompson, succeeded in negotiating lower fees if their bids failed, but higher ones if they succeeded.

Last week's collapse in the markets has highlighted the risks of underwriting. But over the long term, have the risks been small in relation to the fees? The eagerness of the institutions to take on subunderwriting - they generally offer to take on much more than is available - suggests that the fees are too high.

More revealing is a classic study carried out in 1980 by Mr Paul Marsh, professor of management and finance at the London Business School. He pointed out that, stripped of its mystique, underwriting amounts to no more than the selling of put options on the shares being issued. Subunderwriters' fees should therefore equal the price of the equivalent options.

By applying the Black and Scholes formula to determine the fair price of such options in advance of 671 rights issues, he found that on average subunderwriters charged twice as much as they would have done in an efficient market. Looked at after the event, the fees were four times higher than the risks would have justified. In only 35 cases did the subunderwriters suffer any loss.

Other studies carried out more recently by LBS researchers suggests a similar degree of overcharging on the underwriting of stock market flotations.

According to Mr Marsh: "It is amazing that there has not been more competition on underwriting fees. The reason must be that the finance director of a company has probably never done a rights issue before.

Arguments are strong for Lawson to proceed with offering

BY ANATOLE KALETSKY IN NEW YORK AND RICHARD TOMKINS IN LONDON

IN SPITE of the underwriters' plea that the British Petroleum share offering should be withdrawn, the arguments for going ahead appeared to remain as persuasive as ever to Chancellor Nigel Lawson yesterday.

To pull the issue would involve not only an embarrassing aboutturn and the certainty of a political outcry about the underwriting, but also the unwelcome attention of the Public Accounts Committee, Parliament's watchdog on public spending.

The PAC has criticised the costs incurred on earlier privatisation issues and questioned whether underwriting is necessary. To pull the BP issue now would be to remove the justification for having underwritten all the other issues.

Further, the loss of the proceeds from the BP issue would upset the Government's budgetary arithmetic for the current year and the next two, with consequent effects on the scope for tax cuts or increased demands on the gilts market.

The offer could be postponed for just a short time, but this would still let the underwriters off the hook and would also cost the taxpayer dear in lost proceeds. If the offer price were reduced to yesterday's close of 259p, for example, it would fetch only £5.7bn compared with £7.24bn at the 330p offer price.

The bold path would therefore be to go ahead with the issue and let the underwriters hang. From the underwriters' point of view, the drawback with this course is the danger that the outcome could be more than simply figurative. But is this a real threat?

Of the 2.1bn shares being sold, some 1.25bn have been underwritten in the UK, 480m in the US, 160m in Japan, 105m in Canada and 105m in Continental Europe.

It is unclear just where the pressure for a withdrawal of the issue is coming from. Although the UK underwriters face by far the largest exposure to the issue, they have passed down most of the risk to well over 400 sub-underwriters.

The exposure of these individual subunderwriters is therefore limited, and they seem to be accepting their fate with good grace. The Association of British Insurers, which represents a substantial proportion of the subunderwriting institutions, yesterday said it resented any suggestions that its members might be trying to shirk their responsibilities.

Overseas, the European allocation is relatively small and is spread between lead managers in a dozen countries, so no individual house is likely to be bearing a large part of the risk. Canada has a subunderwriting system similar to the British one, though it is unclear how much of the risk Wood Gundy, the lead manager, had been able to lay off before the market's crash.

In Japan 20 per cent of the issue has been subunderwritten and the rest is underwritten by the five lead managers: Daiwa Securities, which is thought to be bearing 50 per cent of the underwriting risk, Nomura Securities, with an estimated 20 per cent, Nikko Securities with an estimated 12 per cent, and Yamaichi Securities and Warburg Securities, with 9 per cent each. That puts Daiwa in a relatively exposed position, but not one which it is likely to distress a house of such size.

Probably the biggest losers would be the US underwriters - Goldman Sachs, Morgan Stanley, Salomon Brothers and Shearson Lehman. Unlike the British underwriters, the US investment houses have not laid off any of their risk to subunderwriters.

The US mechanism for issuing and distributing new equity does not allow for subunderwriting because the price of a stock offering is not normally fixed until the actual day of the issue. Until the price is fixed the stock's registaration with the Securities and Exchange Commission does not become effective and underwriters cannot enter into binding contracts to sell the stock.

The reason for the different underwriting mechanism is to ensure that new stock issues are sold as close as possible to the prevailing market price on the day of the offering. The large discounts offered to UK underwriters and subunderwriters in exchange for their commitment to buy stock at a fixed price are unheard of on Wall Street.

The difficulty in the BP issue is that the US underwriters have agreed to the British practice of fixing prices in advance in a market where they could not protect themselves against the risks this entailed. As a result, the four blue chip investment houses stand to lose about £330m or $550m between them, if they are forced to take up their allocation of 480m BP shares at 330 pence and then dump them on the market at yesterday's closing price.

The biggest potential loser would be Goldman Sachs, the lead underwriter, which is believed to have signed for roughly 30 per cent of the total US issue. The other three banks will split the rest of the shares about evenly. The possible losses of more than $100m per firm may well be mitigated by hedging operations believed to have been attempted by each of the underwriters.

Although it would have been illegal under SEC regulations for the underwriters to hedge by shorting stock in BP itself, they could have taken on short positions in other oil stocks as well as selling FTSE futures to protect themselves from the risks of a collapse in BP's share price.

Even if the hedging was inadequate or unsuccessful, losses of the order of $100m would not raise questions about the solvency of any of the four firms. The BP underwriters are among the best-capitalised firms on Wall Street.

Morgan Stanley, the smallest of the four investment banks, has $1bn of equity and subordinated capital and announced strong profits only last week, adding that it expected to remain profitable in the fourth quarter, despite the stock market crash. Salomon Brothers, the biggest firm on Wall Street, is capitalised at over $3bn, even after the heavy losses it has announced in recent months.

According to Brenda McCoy, securities industry analyst at Paine Webber, net losses from the BP issue could amount to about one quarter's average earnings for each of the four firms.

NTT sale expected to go ahead

By Carla Rapoport in Tokyo

THE JAPANESE Government's plans to sell shares in Nippon Telegraph and Telephone have been unaffected so far by the plunge in equity prices.

Indeed, Ministry of Finance officials and leading underwriters yesterday expressed confidence that the sale of the second tranche of NTT shares would be a success despite the turmoil in world stock markets. The sell-off is scheduled to begin on November 10.

"The situation is quite different to British Petroleum," said an executive at Nomura Securities, one of the leading underwriters yesterday.

NTT has been listed on the Tokyo Stock Exchange since the sale of the first tranche of shares last year. During that time, the shares have soared to unexpected highs, giving the company the largest market capitalisation in the world.

Even after the recent collapse in share prices, NTT is currently only 12.5 per cent off its peak at Y2.78m. And despite this drop in value, it is still more than twice its debut price of Y1.19m last year.

The second tranche of 1.97m shares will be offered at a 3 per cent discount to NTT's price on the day before the sale, November 9. Underwriters believe that this discount will be sufficient to attract buyers, as long as the market is not in complete chaos at that time.

The Ministry of Finance confirmed yesterday that it has no plans to cancel the issue, and officials said they remained upbeat about its prospects. A significant slice of the profits from the sale have been expected to go toward financing the Government's supplementary budget this year. The Ministry's calculations, it is understood, were based on a sale price of around Y2.5m.

As a result, some analysts say that the sale could be postponed if NTT's shares fall significantly lower than Y2.5m. Others argue that the Government must go ahead with the sale in any event because the NTT privatisation has been a significant achievement of the Nakasone government and, as such, should not be stopped in its tracks.

In the meantime, underwriters yesterday remained confident. "I haven't heard of any cancellations. In fact, we've had reconfirmations from our customers," said one underwriter yesterday.

Hong Kong prepares itself for double wave of defaults on exchanges

BY DAVID DODWELL IN HONG KONG

WITH THE suspension yesterday of 43 members of Hong Kong's futures exchange, the territory's stockbroking community has reluctantly but unavoidably released the latch on a veritable Pandora's box.

The Government's "lifeboat" - now standing at HK$4bn ($512m) - is in place. Big companies in the territory, along with leading banks, mainland Chinese institutions and the individually wealthy, like Mr Li Kashing, have made commitments to support the stock market as it comes under pressure. But no-one really knows whether the measures taken will be adequate.

Crisis is likely to unfold first on the futures exchange. Overnight, Mr Philip Thorpe, the exchange's new chief executive, raised margins on contracts - the deposits investors have to pay on each futures contract - from HK$15,000 to HK$50,000.

The move - which many with the advantage of hindsight will say was long overdue - will reduce at a stroke the leverage on Hang Seng index trading that made the market so addictive to speculators. Until two weeks ago, a deposit of HK$15,000 gave an investor a contract worth HK$180,000. An improvement of less than 10 per cent in the Hang Seng index was thus allowing him to more than double his money.

As of tomorrow, a deposit of HK$50,000 will provide a contract that has fallen to be worth less than HK$120,000. As a casino, the futures exchange has lost its appeal overnight.

At the same time, however, brokers on the exchange are being asked to furnish substantial fresh money at a time when they are least able to provide it. If anything, therefore, the total of defaulting companies will be higher than originally anticipated.

Of even less comfort to the Government - and the Guarantee Corporation that was to settle the defaults - is the fact that many financially troubled futures traders are limited liability companies registered in territories like Panama, Bermuda and Liberia and have paid up capital of HK$2. Recovering debts from such companies is likely to be a forlorn process, and may erode much of the total of HK$4bn now committed by international institutions, leading banks, and the government.

The real crisis is likely to develop in the wake of the traumas in the futures exchange, as the debts of companies that act as subsidiaries of brokers on the full stock exchange put brokers in difficulties.

Several international securities houses revealed yesterday that they have drawn up a "watch list" of more than 60 stockbrokers that show signs that they could be in difficulties. For the time being, trade with these companies has been suspended - an act of no small consequence since it suggests ostracism of 10 per cent of the brokers on the exchange floor.

There is also grave concern about the circulation of "rubber cheques". Member firms were telling government officials last week that there was a serious risk when trading on the stock exchange resumed on Monday that brokers facing serious financial problems would move into the market as buyers in the full knowledge that their cheques, which would not be cleared until Wednesday, would bounce.

By the time this was discovered, the scrip - which is as good as currency - would have been delivered, and they could be out of the Colony. At present, there is no evidence that such a fraud has taken place, though ominously, booths on the exchange floor owned by prominent figures in the exchange went unmanned yesterday.

Evidence of defaults has begun to emerge, however, with most international brokers admitting dishonoured cheques from Monday's trading amounting to between HK$500,000 and HK$5m.

As a result, brokers are now insisting on marked cheques before agreeing to a sale, with clients insisting on cashiers' orders. Neither move is proof against default, and is putting a fierce brake on the amount of trading which can be done on the exchange. Worst of all, the relationships of trust have collapsed.

The Government is considering proposals from Jardine Fleming and the Hongkong Bank for a clearing agency to be set up to sanitise transactions, but it is likely to be several days before such an arrangement can be in place, and many brokers regarded the arrangement as "medieval" in any case.

The recovery of share prices on the market yesterday provided a limited amount of comfort, as did the assurances of support from big institutions. But the most encouraging newsyesterday was Mr Robert Fell's appointment as chief executive of the exchange.

It has been made clear that Mr Fell is to be given extensive powers to introduce reforms on the exchange, and to introduce to it a professional management that will bring it into line with other stock exchanges worldwide.

With a clear sigh of relief at the news of Mr Fell's appointment, one prominent broker probably spoke for many when he observed: "There may be a lot of pain ahead, but at the end of the day, it may possibly be that all this is for the good."

The Hongkong Bank building towers over Mr Piers Jacobs, the territory's Financial Secretary, who announced at the weekend the rescue package to which the bank is a contributor.

Japan's financial community seems strong enough to take the strain, writes **Stefan Wagstyl**

Why Tokyo market has proved the pundits wrong

UNTIL A FEW days ago, it was a widely-held belief in the West that the next world stock market crash was bound to start in Japan.

It has not turned out that way. The Tokyo market has fallen sharply, but most of the time it has followed Wall Street. Moreover, it has been foreign investors, not the Japanese, who have been the biggest sellers of Tokyo stocks. The Japanese institutions have mostly - although not entirely - sat on the sidelines waiting for the dust to settle.

This is not to say that there was no truth in arguments that the Tokyo market was overvalued. Indeed, there are people who think it still is. However, it does seem that the impact of the crash on the Japanese financial community as a whole will not be as severe as was feared by at least some Western observers. While Wall Street abounds with rumours of impending large bankruptcies, Tokyo bankers continue to insist that a big Japanese default is extremely unlikely. In fact, their chief concern is the possible knock-on effect in Tokyo of a large failure in the United States.

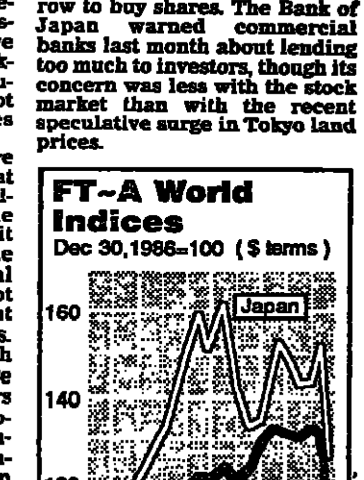
Japanese pre-crash share prices were not as grossly overvalued as they seemed. In aggregate terms the market was admittedly trading at more than 60 times earnings, compared with about 18 for London. But the Japanese figure is distorted for two reasons - first, because depreciation charges (deducted from profits) are more conservatively calculated than in the UK or the US; and, secondly, because about half the shares in the market are owned by other listed companies. As a result there was a large element of double-counting.

Moreover, the mechanics of the market seem to make Tokyo safer than New York. There is little exposure in Tokyo itself to the volatility in prices brought about by programme trading of equities in tandem with stock index futures contracts.

Investors can, of course, borrow to buy shares. The Bank of Japan warned commercial banks last month about lending too much to investors, though its concern was less with the stock market than with the recent speculative surge in Tokyo land prices.

FT-A World Indices

Dec 30,1986=100 ($ terms)



Unlike the US, where securities companies have relatively small balance sheets, the "big four" Japanese securities houses - Nomura, Daiwa, Nikko and Yamaichi - are financially strong. They account directly for up to three-quarters of the credit granted to investors to buy shares, while most of the remaining stock exchange members are either linked to the big four or to banks.

The credit extended by securities companies is large: at the last count margin buying stood at a record Y6,300bn($44.3bn) Yet this does not seem to put the brokers' finances under strain because the margin buying balance is no more than 1.5 per cent of the value of the market, down from 2 per cent three years ago.

The securities companies thus are well-insulated against default. Moreover, they often take fewer risks than their US counterparts because they do less market-making - that is, they do not ensure two-way dealings in share, irrespective of which way prices are moving.

The Japanese practice is for securities companies to match buyers and sellers as much as possible. As a result they take relatively little stock on to their own books and do not need to borrow heavily to fund their positions.

The next point is that equities - over-valued or not - account for a much smaller proportion of the investments of individuals and institutions than in the US. This is largely the legacy of Japan's late economic modernisation. Despite much-vaunted financial liberalisation, Japan's investors are still covered by a web of restrictions which tend to channel savings towards deposit accounts and away from securities, especially equities.

Cash and deposit accounts - including post office accounts - made up 61 per cent of of private individuals' total financial assets at the end of March this year, according to the Bank of Japan. Securities, which in the US were 40 per cent of the total, were just 12.7 per cent - and most of that was in bonds not equities.

Financial institutions are in a similar position. Pension funds and life insurance companies are limited by Ministry of Finance rules to keeping at least 50 per cent of their assets in low-risk instruments, chiefly Japanese government bonds. Most of them are comfortably below this figure - at the end of last year life assurance companies had just 17 per cent of their investments in Japanese equities.

The equity element has been rising. Trust banks, which manage an increasing proportion of pension funds, increased their equity holdings by nearly 50 per cent in the six months to September - to Y15,300bn (much of it the automatic result of the rise in the markets). But this still left equities at just 11 per cent of their total assets of Y135,400bn.

Banks' own capital is a special case. Japanese commercial banks are allowed by the Finance Ministry to include unrealised (and undisclosed) gains on stock prices in their net worth for calculating capital adequacy ratios - a measure of financial strength.

A fall in the market clearly reduces these profits and therefore the banks' net worth. But the market would have to fall way below present levels before any large bank was under pressure. Last year, when the Nikkei index was below 20,000, the Industrial Bank of Japan concluded in a study that a one third drop in the market would not appreciably harm Japanese banks' capital strength.

The recent fall in prices has only put the index back to where it was in the spring - so only a half-year's unrealised gains have been hit. Also, conscious of their developing country debts and of Western demands for improvement in their capital ratios, Japanese banks have been busy raising fresh equity in the past 12 months.

However, if banks look to be secure, the same cannot be said of every industrial company. Companies have been using both their own cash and borrowed money to invest financial instruments - in a practice called *zaitech*.

Some borrowed heavily - among them Tateho Chemical Industries, an Osaka chemicals company, which in August turned to its bankers for a rescue after wiping out its net assets of Y16.5bn with financial market losses of Y28bn. Tateho's losses were in bond futures, a particularly volatile instrument. Indeed, most *zaitech* investors favoured bonds over equities.

While Wall Street abounds with rumours of impending large bankruptcies, Tokyo bankers continue to insist that a big Japanese default is very unlikely. Their chief concern is the knock-on effect of a large failure in the US.

Nevertheless, it is perfectly possible that one or more companies will have been caught out in equities. Mr Kazuaki Harada, chief economist at Sanwa Bank, says: "If this situation gets more serious in the near future then a company might go into bankruptcy. But I don't think it's reached that stage yet."

Most *zaitech* investors expanded their market holdings 18 months ago and have cut back since the middle of the year. A senior Bank of Japan official said yesterday: "We have not yet heard any big cries for help."

Behind the resources of corporate Japan are those of the Government. There is no suggestion that public funds might be used to prop up the stock market. But the Finance Ministry has already intervened in other ways - on Black Tuesday it successfully urged the big four securities companies to start buying shares to activate a paralysed market. Yesterday, it called a meeting of big institutional investors in order to try to restore confidence.

Taken separately these moves may not mean much. But taken together they are a constant reminder of the Government's influence in the financial markets - with liberalisation in full swing, institutions know they need to keep on good terms with the Ministry to make sure rule changes go their way.

None of this means that the Tokyo stock market cannot fall further. Japanese investors hopes that their market might somehow resist the psychological impact of Wall Street have been dashed - although it is true that Tokyo is only 15 per cent off its peak, whereas New York is more than 30 per cent down.

Nor does the analysis imply that individual Japanese investors have not suffered big losses. They have. There have been reports of anguished office workers trying fruitlessly to get their money out of closed-end funds (which cannot be redeemed before a fixed expiry date).

However, the Japanese financial community as a whole seems to be strong and liquid enough to withstand the shocks of the last few days.

Chicago underlines problems for options

By Deborah Hargreaves in Chicago and Alexander Nicoll in London

FUTURES AND options markets thrive on volatility. But the extraordinary movements of the past two weeks have shown how costly extreme price fluctuations can be for them.

No other exchange has yet suffered traumas on the scale of the Hong Kong Futures Exchange, where potentially defaulting traders are being supported by a hastily-arranged HK$4bn ($512m) lifeboat scheme.

Nevertheless, there have been tense moments for exchanges and their clearing houses as they have issued special calls for stepped-up margin payments - security against potential losses.

All such calls have been met by clearing members of futures and options exchanges in the US and UK.

Counter-party

The markets' problems are likely to bring home to many people the advantages of dealing on exchanges cleared by financially sound clearing houses, which stand between market participants, acting as the counter-party to each individual trade. This means that trading firms are not exposed to one another, but to the clearing house.

A number of clearing members, however, have found their own clients unable to meet their obligations to them because of their losses. This is hardly surprising given that losses by options traders on the Chicago Board Options Exchange alone are estimated at a rough $150m.

About 100 seats have been sold on Chicago's three futures and options exchanges since the crash began, and the city is rife with rumours about trading firms being forced under.

The problems which many firms are likely to face are underlined by those of First Options of Chicago, a subsidiary of Continental Illinois, which is itself owned by the US Government following its rescue several years ago.

First Options, bought for $136m last year, is the largest clearing firm for options traders in the US. It clears trades and lends money to about 45 per cent of the CBOE's 1,200 traders. Continental disclosed this week that it will suffer a "moderate" loss in the fourth quarter due to a $90m charge at First Options.

First Options' primary capital of around $2.5bn is made up of loans from its parent and other banks. Last week's heavy trading volume had led Continental to overstep its legal lending limit to First Options, which now says it is increasing the amount of collateral traders must have and seeking other ways to reduce its exposure to the market.

On a smaller scale in London, stockbroker A J Bekhor was forced to close out clients' positions which were showing a loss of over £5m.

The volatility of both the stock markets and those linked to them have also produced difficulties in setting prices and executing orders on the floor of exchanges - another potential source of loss for market participants.

In Singapore, for example, Nikkei stock index futures were dealt as low as 5,000 when the index was over 20,000. Elsewhere, inordinately wide spreads between bid and offered quotes have been seen.

The Chicago Board Options Exchange has set up a committee to investigate possible pricing irregularities in its crowded pit trading Standard & Poor's 100 options, the busiest contract in the futures and options industry.

Overcharging

Although trading execution and pricing were erratic on most exchanges last week, the CBOE is the first exchange to look into overcharging at the opening of last Tuesday's frenetic market - the morning after the Dow Jones index had fallen more than 500 points.

Attempts to set an opening price failed. The exchange was then closed for an hour because prices for the underlying stocks were halted due to order imbalances in New York.

Traders' losses are taking their toll on market activity.

Many local traders at the Chicago Mercantile Exchange are unwilling to take the risk of trading S&P 500 index futures, removing much of the liquidity from the pit. The contract has been trading one-third below its usual volume.

This may pose a serious threat to the stock index futures and options markets' survival. At this stage, the danger must be that many of the market's participants will simply withdraw.

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W German trade surplus shows strong increase

BY ANDREW FISHER IN FRANKFURT

WEST GERMANY recorded one of its biggest trade surpluses last month, showing that many exporters have successfully adapted to the problems caused by a stronger D-Mark.

The surplus for September was DM 11.5bn (£3.8bn) the highest for that month. It compared with DM 6.5bn in August and DM 10.4bn in September of last year. The record was last December, with a DM 11.6bn surplus.

Coming after the holiday period, September is seasonally a month of increased economic activity. Thus Government officials said the higher surplus was not totally surprising. Much of the increased surpluses probably reflected greater trade within Europe, with demand in France and the UK buoyant in the third quarter, said Mr Giles Keating, an economist with Credit Suisse First Boston in London.

Even so, said Ms Ute Geipel, chief economist with Citibank AG in Frankfurt, "the timing is very unfortunate, coming during the whole discussion about international cooperation, the reduction of surpluses, more growth in Germany and less expansion across the Atlantic".

However, she and other economists did not expect a critical reaction from the US, bearing in mind the worldwide stock market collapse partly unleashed by the sharp comments of Mr James Baker, US Treasury Secretary, about German monetary and interest rate policy.

Yesterday, the Bundesbank moved to inject liquidity into the banking system to keep short-term rates low. Foreign exchange officials said the central bank was also allowing a gradual decline in the dollar, which closed in Frankfurt at DM 1.7692 against DM 1.7750 at the start of the day.

The increasing pressure on the D-Mark, likely to be exacerbated by the existence of a continuing high surplus, is expected to cause new strains within the European Monetary System and bring renewed French demands for a realignment, they added.

"German exporters have learned to live with the recent dollar level," said Mr Mushtaq Shah, an economist with UK stockbrokers Phillips and Drew. "So the Bundesbank and German policy-makers will see a lower rate as a necessary evil."

Exports in the first nine months were down by 1.8 per cent at DM 384bn, but showed a 1 per cent gain in real terms, the Federal Statistics Office said.

Imports, at DM 301bn, were 3.4 per cent lower in volume terms, though, they were up by more than 4 per cent, with import prices 7 per cent lower.

Moscow calls in US envoy for talks

MR EDUARD Shevardnadze, the Soviet Foreign Minister, called in Mr Jack Matlock, the US Ambassador, for a meeting yesterday, sparking speculation that Moscow could be making a new proposal on a summit, Reuter reports from Moscow.

Reporting the Shevardnadze initiative, the official Soviet news agency Tass said the two discussed 'matters of mutual interest.'

The US embassy confirmed the meeting had taken place but could give no other details.

Analysts said there were some signs that Mr Shevardnadze could offer a new proposal aimed at breaking the seeming impasse on setting a date for a new summit between Mr Mikhail Gorbachev, the Soviet leader, and President Reagan of the US.

At talks in Moscow last week, Mr Gorbachev told Mr George Shultz, the US Secretary of State, that he could not set a date for a summit, saying he was concerned it would not produce the right results.

Mr Shevardnadze said later the Kremlin leader's reluctance to go to Washington at the present time was because there had been no movement towards an accord on cutting strategic weapons.

But Soviet officials said earlier yesterday they expected some initiative from the Kremlin to break out of the apparent impasse and make a summit possible, at least before full-scale campaigning for the US presidency begins next summer.

Mr Shevardnadze is due to fly to Prague today for a two-day meeting of Warsaw Pact foreign ministers starting tomorrow, during which he will brief his allies on the results of his talks with Mr Shultz.

WEU defence policy 'platform' adopted

BY ROBERT MAUTHNER, DIPLOMATIC CORRESPONDENT, IN THE HAGUE

THE EUROPEAN defence policy "platform", formally adopted by the foreign and defence ministers of the seven-nation Western European Union yesterday, has been hailed by member countries as a modest, but important step towards a more integrated Europe.

The preamble to the "platform on European Security Interests", the official title of the document, makes clear that the member states attach particular importance to its political objectives.

"We are convinced that the construction of an integrated Europe will remain incomplete as long as it does not include security and defence," the document states. "We see the revitalisation of WEU as an important contribution to the broader process of European unification."

Even Sir Geoffrey Howe, the British Foreign Secretary, who described the platform as comprising no more than "a set of key principles that will serve to guide the future development of the WEU," raised his cautious sights when he admitted that it recognised the need for Europe to make "its own distinctive contribution in security and political matters".

The document itself is slightly more ambitious in its formulation when it states that the member countries intend to develop "a more cohesive European defence identity". However, the member states - Britain, France, West Germany, Italy and the three Benelux countries - have been careful to place their efforts in the context of the alliance and their enduring partnership with the US. The fear that Washington might take exception to such an outspoken statement of European aspirations was clearly uppermost in the ministers' minds.

Thus, the document specifically adopts the late President John F. Kennedy's concept of an Atlantic Alliance standing on two pillars - one American and one European. "It is our conviction that a more united Europe will make a stronger contribution to the Alliance, to the benefit of Western security as a whole. This will enhance the European role in the alliance and ensure the basis for a balanced partnership across the Atlantic. We are resolved to strengthen the European pillar of the Alliance."

The hands of France and Britain can be detected in the drafting of such passages as "to be credible and effective, the strategy of deterrence and defence must continue to be based on an adequate mix of appropriate nuclear and conventional forces, only the nuclear element of which can confront a potential aggressor with an unacceptable risk". The platform also specifically states that the independent forces of France and the UK contribute to overall defence and security.

Sir Geoffrey and Mr Jean Bernard Raimond, the French Foreign Minister, thus made sure that there was no hint in the document that Western Europe might ever be persuaded to accept denuclearisation.

In this context, it was particularly significant that the platform underlines the member countries' determination to ensure that their obligation to defend other members "at their borders", should be demonstrated by means of "appropriate arrangements".

Turks begin privatisation move

BY DAVID BARCHARD IN ANKARA

TURKEY'S Government yesterday took the first big step in its four-year programme to privatise some of the country's state economic enterprises by ordering that two public corporations be placed under the control of the Public Participations Fund.

One is the Sumerbank, a corporation which makes and sells textiles, ceramics, clothing, and shoes, and the other is Petkim, the national petrochemicals corporation.

There was some surprise here at the choice of the two for what will apparently be the first fully-fledged privatisation operation in Turkey. Both are large and unwieldy bodies and Petkim is believed by many bankers to be operating at a loss despite published figures showing a profit.

Placing the corporations under the Public Participations Fund is the first step laid down in the privatisation law

The Fund is an extra-budgetary body set up by the Ozal Government to handle special projects. Its deputy chairman is Mr Cengiz Israfil, a Turkish-American former banker whom the prime minister, Mr Turgut Ozal, has placed in charge of the privatisation programme.

The nominal value of the shares of Sumerbank handed to the Fund is TL 2bn (£1.25m) while Petkim's shares have a face value of TL 150bn.

Exiled Communists to return to Turkey

BY DAVID BARCHARD

TURKEY'S underground Communist Party, banned since 1926, has announced that two of its top officials will be returning to the country in the near future to set up a legal party.

An announcement by Mr Haydar Kutlu, secretary-general of the Turkish Communist Party, and Mr Nihat Sargin, secretary-general of the Turkish Workers Party - a pro-Moscow Marxist party which recently merged with the Communists - did not say when the two would return from exile.

The move appears calculated to embarrass Mr Turgut Ozal, the Prime Minister, who is believed to be planning to lift clauses in the Turkish Penal Code banning communist and Islamic theocratic political activity after the elections in order to make Turkey eligible to sign the Treaty of Rome.

Turkey applied in April this year to join the European Community. Officials have been saying privately that this means that anti-Communist legislation will have to be repealed.

EC agrees grant to help poorer areas

By William Dawkins in Brussels

MOVES to bring improved telecommunications and cheaper energy in the EC's poorest areas are to receive Ecu 1.18bn (£814m) of help from Brussels over the next five years.

The projects, which will help Greece, Spain, Corsica, Ireland and Northern Ireland, Italy and Portugal, were formally adopted yesterday by the European Commission.

EC Governments sanctioned the spending, under the Ecu 778m Star telecommunications programme and the Ecu 398m Valoren energy scheme, a year ago.

In a separate move, the European Commission yesterday also gave the go-ahead to Ecu 590m of ERDF grants to help industry and infrastructure projects in seven member states It was the fifth such allocation this year.

FRANCE TO CONTINUE PRIVATISATION

Economic policies defended

BY IAN DAVIDSON IN PARIS

THE FRENCH Government yesterday vigorously defended its economic policy record and its determination to continue its privatisation programme in spite of the international stock market crisis.

But the opposition Socialist Party reiterated demands for an immediate halt to the privatisation programme and in particular for the abandonment of the Government's plans to denationalise the largest state-owned insurance group, Union des Assurances Parisiennes (UAP).

Until ten days ago, the main focus of the Socialists' criticisms of the privatisation programme was on narrow grounds of public morality, centred on the accusation that the Government had been using the allocation of institutional shareholdings as a way of favouring its political friends in finance and industry.

In the past ten days, however, the Socialists have sought to broaden their attack by claiming that the stock market crash undermines the ideological basis of the Government's market-oriented policy.

Yesterday the Government vigorously rejected both levels of attack. Speaking on radio, Mr Jacques Chirac, the Prime Minister, strongly defended the French economic record and claimed that the stock market crisis was an accident which had no justification in the French economic situation.

Citing the continuing decline in inflation, the continuing improvement in the financial situation of the company sector, and the beginning of a decline in unemployment, the Prime Minister argued (cautiously) that "every criterion should lead to a certain optimism."

He blamed the stock market crash on the increase in long-term interest rates, due in large measure to the American budget and balance of payments deficits, and ruled out any change in the privatisation programme.

"Obviously there can be no question for the Government to put in doubt this policy of privatisation, because it is an economic necessity in the context of the larger European market, which will be a world of increased competition," he said.

Mr Edouard Balladur, the Finance Minister, who has personally managed the privatisation programme, opened a long-awaited National Assembly debate yesterday afternoon with an unqualified defence both of the Government's continued confidence in its free-market philosophy, and of his conduct of the privatisation programme, which he described as "exemplary and transparent."

In reply, Mr Pierre Joxe, leader of the Socialist group, launched an uncharacteristically low-key attack on the Government's plans to privatise UAP, on the grounds that it would be dangerous for the economy, costly for the policy-holders and would cheat small shareholders.

France recalls Commissioner from Tahiti

By Our Foreign Staff

FRANCE'S High Commissioner in Tahiti, Mr Pierre Angeli, was reported last night to have been recalled to Paris following mounting criticism about his handling of this week's disturbances in the South Pacific island chain.

Mr Jean Juventin, the Mayor of Papeete, complained that Paris did not inform him that Mr Angeli had decided to declare a state of emergency, impose a dusk to dawn curfew and call in French security forces to police the curfew.

Other reports however said that Mr Angeli's reassignment had been planned months ago

Nevertheless his departure, if confirmed, in the middle of the current turmoil would be very unusual.

Austrian Socialists open 30th congress in Vienna

BY JUDY DEMPSEY IN VIENNA

THE Socialist Party of Austria, backed by the slogan "the party of the future," opened its 30th congress in Vienna yesterday with a call by Mr Fred Sinowatz, the party chairman and former Chancellor of Austria, for a continuation of the party's traditions of tolerance and responsibility towards society.

In his opening address, Mr Sinowatz said the Socialist Party could co-exist ideologically with the Conservative People's Party, the junior partner in the socialist-led coalition government.

But he warned that the party must not renege on its socialist principles. Catchphrases such as "less state and more privatisation" would not, he said, sway the party from its old socialist democratic policies, which were based on freedom, tolerance and caring.

However, the 180 motions and resolutions to be debated over the next two days reflect growing concern about the future ideological direction

The Socialist Party is shedding part of its hard-left ideology. Under Mr Franz Vranitzky, the Chancellor and a former banker, it is assuming a more technocratic, moderate and modern profile.

Sections of the party sit uncomfortably, not only with the coalition but also with the Government's cautious privatisation programme.

But the loudest criticism is likely to focus on the Government's austerity budget which was presented to parliament last week.

EUROPEAN NEWS

Quentin Peel on the huge task of solving the Community's cash crisis

The EC's superhuman agenda

THE EUROPEAN Community's chronic capacity for pushing its deadlines to the limit and beyond is about to be tested once again. Less than six weeks remain before the EC summit meeting in Copenhagen, where Community leaders have set themselves the daunting task of solving every major issue in the cash crisis which has dogged them for the past decade.

It is a superhuman agenda. It means above all finding some way of bringing the soaring Common Agricultural Policy (CAP) spending under control, so it does not swamp every other EC policy.

It means thrashing out agreement on how much new money should be provided by national treasuries to Brussels, to pay for the new policies - research and development, social and regional spending - to which the 12 have committed themselves.

Finally, it means attempting once again to agree on a more equitable system for assessing those payments, and sharing out the available cash, to solve for good the bitter issue of Britain's demand for a budget rebate.

All the old headlines are being trotted out again: EC Budget Crisis, Britain Isolated, and Mrs Thatcher Reads the Riot Act. Yet many of the traditional alliances are suddenly being called into question, and few people seem to have realised.

For a start, the British are no longer anything like as isolated as they used to be. Last week's meetings of Foreign and Farm Ministers saw an extraordinary, growing alliance between the UK and the European Commission, occasionally backed by France.

The member state in danger of being most cut off on many key issues is Italy, normally one of the most fervent and Community-minded of countries.

"The trouble is the British have won the argument, but they refuse to recognise it," said one Danish diplomat. That is one way of looking at it.

"The trouble with Italy is it hasn't dawned on her negotiators that she is not a poor country any more," a Commission official says. "They trot out the old litany of wanting an increase in funds, but they don't want to pay their part of any increase in financing."

> Many of the traditional alliances are being called into question, and few people seem to have realised. The British are no longer as isolated as they used to be. Last week's meetings of foreign and farm ministers saw an extraordinary, growing alliance between the UK and the European Commission, occasionally backed by France

France and West Germany, whose cosy deals on the eve of EC summits have usually settled the outcome, are increasingly at loggerheads over the CAP. France is prepared to risk the gamble of reform, convinced that French farmers are competitive. Bonn remains protectionist to the end.

Given that melting-pot of diplomatic disturbances, and the ferocious complexity of agreeing precise spending control rules for every farm product in a few weeks, many in Brussels are throwing their hands in the air. Copenhagen is a hopeless deadline, they say: the only chance of a deal will be at Hanover, under the German presidency, next June.

Others with longer memories fear worse. "If they don't do a deal in December, I don't think there will be any solution until 1989 at the earliest," said one of the Commission's top negotiators. "They will simply take their eyes off it."

Budget discipline will be the key. The Farm Ministers have been told they must attempt to agree on specific "stabilisers" for every product. That means a system to cut off automatic price support when any crop exceeds a fixed ceiling.

Mrs Thatcher has demanded that clear figures be agreed, and precise ways of stopping spending when they are breached. Few think she will get it all, but if the Farm Ministers are forced into some sort of marathon session, there is an outside chance of getting part of the way there.

The present plan is to back the stabilisers with another layer of budget discipline - by setting a "guideline" for farm spending. The British want it kept below the rate of growth of gross national product in the EC.

Defenders of the CAP want provisions for "exceptional circumstances," be they currency changes (the dollar's decline causes huge increases in farm export subsidy costs) or drought. The British are strongly opposed. The Commission would set aside a specific monetary reserve for currency costs.

Where the UK and the Commission are remarkably in tune is on giving the Commission much stronger management powers to control costs week by week. Almost all the rest are petrified at such loss of power to Brussels, but the British see it as the only way to give spending controls real teeth.

The second crucial area to be decided is the new system of financing, and the level of national contributions.

The Commission has proposed a switch from the present system, based on value added tax, to one linked to gross national product. Treasuries would still contribute a proportion based on VAT, as well as customs duties and levies as at present, but they would then pay a "fourth resource" reflecting GNP.

The result would marginally reduce the UK contribution, because high British consumption, and low savings, mean the VAT-based take is disproportionately high.

All except Italy and Denmark have now accepted some switch towards a GNP system, although the proportion from the VAT base, as against the GNP base, still has to be negotiated.

In all of that, nobody has yet dared broach the question of the British budget rebate. The Commission is still supposed to be producing detailed recommendations on how the present system of (very roughly) a two-thirds reduction of the British net contribution might be adapted to a new system.

Soviet grain harvest to top 200m tonnes

BY PATRICK COCKBURN IN MOSCOW

THE SOVIET grain harvest this year will be close to the 1986 figure of 210m tonnes but not a record as originally expected, Mr Abel Agenbegyan, senior economic adviser to Mr Mikhail Gorbachev, the Soviet leader, said yesterday.

Mr Agenbegyan told a press conference that heavy rain over the last month in the grain growing areas of Kazakhstan and in the east of the country had dashed hopes of the harvest exceeding the 237m tonnes yielded in 1978.

Even so, if Mr Agenbegyan's prediction is confirmed, it will be the first time that Soviet grain production has topped 200m tonnes two years running. Mr Gorbachev has said that in a good year the harvest should reach 250m tonnes and in a bad year 200m.

The Government is looking for a breakthrough in agriculture in the short term in order to satisfy consumers who will have to wait longer to benefit from the reform of Soviet industry.

Mr Agenbegyan also went out of his way to deny that there would be any increase in retail or wholesale prices next year as was rumoured in Moscow. He said price changes for fuel, energy and raw materials would be introduced in 1989 and the State Committee on Prices was in the early stages of considering retail price changes in 1989-90.

Both Mr Agenbegyan and Mrs Tatyana Zaslavskaya, the Soviet Union's best known sociologist and also a senior government adviser, said no increase in prices would be introduced without full public discussion. Mrs Zaslavskaya promised that they would not lead to any fall in standards of living.

Mr Agenbegyan and Mrs Zaslavskaya, who were on the radical wing of their professions up to 1985, now play central roles in economic and social reform. They were anxious yesterday to underline that reform would not hit living standards.

Capital investment in housing construction and health services is scheduled to rise sharply. Mr Agenbegyan said that the number of apartments being built each year had risen from 2m in 1985 to 2.2 million in 1987 and would rise further to 3m in 1991.

Mrs Zaslavskaya said the main danger to perestroika (restructuring) is public apathy and failure to fulfill expectations of change. Some 60 per cent of Soviet enterprises will shift to wholesale trade and self financing from January 1, but Mr Agenbegyan said ministries still seek to control their day-to-day activities.

Other Soviet sociologists agree with Mrs Zaslavskaya about the danger of underestimating apathy towards perestroika among the public and lower ranks of the party. Mr Grigory Pelman, a sociologist who heads the Club for Social Initiatives, one of the discussion groups which have sprung up in Moscow over the last year, says it is unrealistic to see Soviet society divided for or against perestroika.

This is because very little restructuring has as yet taken place. "By the middle of 1988 we will be able to determine who is for or against perestroika because the law of state enterprise comes into force from January 1," Mr Pelman says.

This change in the basis on which the economy is organised will touch off conflicts between different social groups and interests.

At the moment nobody knows who will be the winners or losers from perestroika. The intelligentsia strongly supports Mr Gorbachev, but elsewhere his reforms have had limited impact. Mr Pelman says: "The question is not of people being opposed to perestroika, but of workers and peasants being passive observers."

OVERSEAS NEWS

Fiji to devalue for third time since June

By John Madeley in Suva

FIJI IS preparing to devalue its currency for the third time in four months. With foreign reserves falling and the economy in serious crisis, bankers expect an announcement of a further 10 per cent devaluation of the Fiji dollar later this week.

The currency was devalued by 17.75 per cent in late June and by a further 15 per cent in September. While no official figures of foreign reserves have recently been published, they are believed to be now only about half the May level of $170m.

The military Government has accused businessmen and foreign corporations of illegally taking money out of the country. On Friday Col Sitiveni Rabuka, who toppled the South Pacific Island archipelago's democratic government with two coups this year, issued a decree severely restricting the export of capital.

The Government estimates suggest that the economy will decline by between 11 per cent and 16 per cent in the next 12 months and is planning to cut public expenditure by 30 per cent during that period.

The Fiji economy depends on two main sources of foreign currency - tourism and sugar. Tourism has been devastated since the first coup on May 14 and the sugar crop, mainly owned by the Indian population which Col Rabuka is trying to keep out of political control, is well down due to a prolonged boycott of the harvest earlier this year. Only 18 per cent of next year's sugar crop has so far been planted.

Conflict threatens special Sri Lanka aid conference

BY MERVYN DE SILVA IN COLOMBO

A SPECIAL meeting of Sri Lanka's aid donors will be cancelled unless there is peace on the island, Mr Ronnie de Mel, the Finance Minister, warned yesterday.

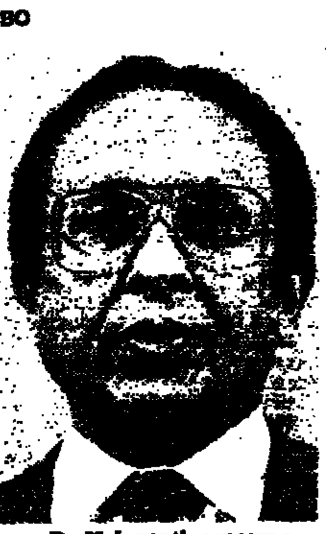
Sri Lanka is seeking extra aid worth about $400m for the reconstruction of the war-ravaged north and east, plus $60m to $70m in loans for industrial development projects. Funds are also needed for the giant Mahaweli River irrigation-cum-power project.

Donors had been looking at the aid requirements favourably after the peace accord signed between India and Sri Lanka in July to end four years of ethnic strife on the island. But the collapse of the peace treaty and the recent bitter fighting between Indian soldiers and Tamil Tiger guerrillas means the special donors meeting scheduled for December 4 is now in doubt.

Mr de Mel said it could not take place without peace after meeting Mr Attila Karaosmanoglu, vice president (Asia) of the World Bank, who is visiting Colombo for a week.

Sri Lanka's aid consortium has already pledged $600m of aid, agreed at its annual meeting in Paris in June. The World Bank has been backing Sri Lanka's efforts to get an extra $400m to help rebuild the country and its economy but now recognises there is no chance of extra cash while peace remains so elusive.

The figure was assessed by a World Bank team which spent three weeks in Sri Lanka in August examining the damage done by four years of war in which the minority Tamils were fighting for the establishment of an independent homeland or "Eelam" in the northern and eastern provinces. The July accord gives the Tamils a semi-autonomous region in a merged north and eastern province but the extremist Tigers have been fighting on for full independence.



De Mel: youth concerns

> Mr Rajiv Gandhi, the Indian Prime Minister, last night said that the "doors were open" for the Tamil Tigers to "come back into the mainstream of politics" if they surrendered their weapons and accepted the Indo-Sri Lankan accord on the Tamils' ethnic and regional claims, John Elliott reports from New Delhi. Mr Gandhi said: "If they do that, the door is open. Any time they accept these they can come back. But they have not yet done so."

Of the extra $400m which would support a three-year reconstruction and recovery programme the World Bank would provide $75m, the Asian Development Bank $40m to $50m and Sri Lanka's aid donors the balance.

The total cost of the war to the Sri Lankan economy has been estimated at $1.6bn.

The World Bank is also considering a request from Mr de Mel for $60m to $70m in loans to support small and medium scale industrial development projects with high employment content.

The Government is seriously worried about youth unrest among the majority Sinhalese population which has erupted in both the north and south of the island. "The youth revolt has strong economic reasons, and we cannot afford to repeat in the south the mistakes we made in the north with the Tamil youth," Mr de Mel said.

Unemployment has risen from 12 per cent two years ago to 17 per cent now. More than 1m new voters, many unemployed, have not had a chance to participate in elections since 1977 when the last full general election was held. Elections scheduled in 1983 were replaced by a referendum when President Junius Jayawardene changed the constitution in a way which many regard as having contributed significantly to the present troubles.

Mr de Mel hopes 500,000 new jobs can be created over two years if the World Bank extends credits of up to $35m and the ADB up to $30m. The new budget to be presented on November 17 will show a 10 per cent cut in defence expenditure although this will still cost more than education, health, public administration and local government together.

Korean constitution vote

BY MAGGIE FORD IN SEOUL

EARLY RETURNS in South Korea's referendum yesterday showed overwhelming acceptance of the new democratic constitution negotiated by ruling and opposition parties in August.

Voter turnout was estimated at about 80 per cent and more than 90 per cent approved the new constitution in areas declaring their returns, mainly in the cities.

Voting rules appeared to have been strictly observed, resulting in a minor difficulty for Mr Kim Dae Jung, the opposition leader. Arriving at the voting booth without his identity card, he was forced to have it fetched before being allowed to register his vote.

Mr Kim is to announce his candidacy for president at a news conference today, his aides said, confirming the split with his colleague Mr Kim Young Sam, president of the Reunification Democratic Party.

Yesterday's referendum opens the way for the far more important presidential election due in December. The candidacy of Mr Kim Dae Jung, who has been running unofficially since his civil rights were restored in July, marks a new stage in the campaign. For the last two months the two Kims have been unable to agree on who should stand down to allow one candidate to represent the opposition.

US frees Philippine aid

BY RICHARD GOURLAY IN MANILA

MR MICHAEL ARMACOST, US Undersecretary of State, yesterday released $75m of grant aid to the Philippines ahead of schedule during a meeting with President Corazon Aquino.

The US, which is the Philippines' largest aid donor, has now given the Aquino administration $450m since it came to power 20 months ago. It has also fulfilled a pledge made by Mr George Shultz, the Secretary of State, in June to provide $150m in budgetary aid this year, the US embassy said.

This grant is direct budget support and will augment the foreign exchange reserves that have been depleted by support buying of pesos during the last two months since a failed coup put pressure on the currency.

The accelerated release of the aid funds - although it is already committed funds - will help defuse a recurring criticism in Manila that the US Administration repeatedly voices its support for Mrs Aquino without backing it with cash.

It may also serve as a reminder to leaders of the failed coup - who have still not been arrested and who are threatening to try again to topple the Government - that the US is unequivocally backing the Aquino Administration. During the height of the coup, US embassy officials telephoned the rebel leader threatening to cut off all aid to the Philippines if Mrs Aquino was toppled.

Tokyo belittles crash impact on spending

BY CARLA RAPOPORT IN TOKYO

THE PLUNGE in Japanese equities is expected to have no great impact on personal spending, Japan's Economic Planning Agency said yesterday.

The EPA struck a decidedly optimistic tone in its monthly report yesterday. The Government agency noted that equities account for a relatively small percentage of individual's financial assets in Japan as compared to the US. As a result, a crash in share prices is not expected to affect the Japanese economy in any significant way.

Mr Tetsuo Kondo, the EPA director-general told his fellow Cabinet members that the Japanese economy remains on a steady recovery track thanks to sustained growth in domestic demand and industrial output.

Indeed, industrial production figures, released by the Ministry of International Trade and Industry yesterday, showed a 4.7 per cent increase in September over the same month last year. Japan's production trend turned around in July and is expected to remain on an upward trend for "months to come", according to Miti.

At the same time, the EPA reported that the employment picture has been improving, with a moderate increase in the numbers of workers employed recorded. It also stated that Japan's leading business indicator reflected an upward trend in August.

The diffusion index, which gives current and future economic trends, stood well over 90 per cent in August. This was the eighth month in a row that the index was over the 50 per cent dividing line, indicating economic recovery. The EPA has been targeting GNP growth for the current fiscal year at 3.5 per cent, despite the harsh effects of the yen's appreciation on the country's exporters.

Optimistic expectations for growth in domestic consumption were further boosted yesterday by a report from Japan's Chain Stores Association. The association reported a 6.4 per cent increased in sales in September over a year earlier. This advance was the largest recorded since July 1981.

Catherine Bond outlines Rwanda's prospects and problems

Coffee tumbles, population soars

IN TERMS of political stability, rapid economic development and aid money wisely spent, the tiny central African state of Rwanda is one of the continent's rare success stories.

At independence in 1962 the Rwandan capital of Kigali consisted of five brick houses. Today it is a modern, sprawling city – much of it still under construction – where government ministries possess francophone acronyms such as MINIFOP, MINITRAPE AND MININTER.

In 1959 Belgium's colonial Government and Roman Catholic missionaries backed a social revolution which brought Rwanda's majority Htu people to power, ending 400 years of feudal rule by the minority Tutsi. The absence of a formal opposition to President Juvenal Habyarimana – a popular figure who took power in 1973 and himself a Hutu – is partly explained by the mass exodus of Tutsis during the period of change.

Mrs Esperance Mutwe, the director of propaganda for Rwanda's only political party – the National Revolutionary Movement for Development (MRND) – believes that her Government has "succeeded totally" in eliminating ethnic tension between the two. A system of ethnic discrimination allots Tutsis a proportional 10 to 20 per cent of places in school and universitary, and the same proportion of jobs in Government or with major private companies.

The system is aimed at preventing the kind of minority rule which exists in neighbouring Burundi, where the Tutsi retain traditional privileges through state repression and where a new Tutsi President, Major Pierre Buyoya, came to office through a military coup last month.

Some Western diplomats believe Rwanda is developing into a model African-style democracy. Twelve of its 15 government ministers are also elected members of parliament. Most, however, come from Mr Habyarimana's home area in the mountainous north of the country, and only one is Tutsi.

The ruling party closely monitors public feeling through "animation" meetings or political rallies, and it will not tolerate what government officials call "unconstructive" press criticism.

The World Bank attributes what it calls Rwanda's "remarkable economic performance" to its prudent, conservative Government. Annual inflation is less than 1 per cent, and foreign reserves cover four to six months' imports. While urging a 20 per cent devaluation of the Rwandan franc – at present there are about 128 to the pound – the World Bank optimistically sees a future for the country as a regional banking centre.

Many expatriate businessmen disagree. In their opinion, Rwanda's relative prosperity has been seriously jeopardised by this year's virtual collapse in commodity prices for its two main exports, coffee and tea. Tea factories have stopped paying local smallholders for tea grown on drained swamps, which fetches top prices at London auctions.

Businessmen complain that licences even for priority imports are now harder to come by and that corruption is a growing problem in government and commercial circles.

Rwanda's annual foreign earnings, mostly from coffee, rarely exceed $150m, and almost a third of average yearly coffee exports of 30,000 to 40,000 tonnes are smuggled in from Burundi, Uganda and Zaire. Low coffee prices are likely to make Rwanda more reliant than ever on international aid, totalling around $200m a year.

According to a senior Belgian diplomat in Kigali, there are no signs that this aid will stop as donors are mostly impressed by the Government's commitment to rural development. Most adult Rwandans participate in compulsory community labour or "umuganda" at least once a week, which has helped the success of vital reafforestation and terracing projects.

Rwanda's biggest problem is overpopulation. With 6.5m citizens, it is the most densely populated country in Africa, and experts predict that the population will rise to over 10 by the turn of the century.

Government campaigns to popularise contraception have faced resistance from the influential Catholic Church, however, and Mrs Gaudence Nyirasafali, head of the population office, says that only 2 per cent of Rwandan women use them.

Acute land pressure is one reason why Mr Habyarimana's Government has dismissed calls by Tutsi exiles for mass repatriation; on the contrary, his Government thinks that overcrowding can only be alleviated if 50,000 Rwandans emigrate each year.

But negotiations so far with Tanzania and Zaire – countries willing to take Rwandan immigrants – have resulted in deadlock, and land disputes are today the third most common cause of murder.

AMERICAN NEWS

Orders for durable goods in US stay strong

By Lionel Barber in Washington

ORDERS for durable goods in the US rose 1.1 per cent in September, continuing an almost unbroken upward swing since the start of the year, the Commerce Department reported yesterday.

Manufacturers' written orders for durable goods - items expected to last three years or more - increased by $1.2bn to $107.8bn.

The sector is closely watched for signals about the health of manufacturing. The upward trend began in January this year - apart from a 2.4 per cent drop in August.

The September rise means that the new orders for durable goods are up 6.4 per cent over the first nine months of 1986. Shipments were up 3 per cent to $107.3bn, a healthy performance which appears to reflect improving export sales by US manufacturers.

Defence capital goods orders declined $400m, or 4.5 per cent, to $9.1bn. Since March, defence goods have been relatively stable, averaging around $9.9bn a month.

Peru's Inti devalued by 20%

BY BARBARA DURR IN PERU

PERU has devalued its currency by 20 per cent, cutting the official exchange rate from 20 Intis to 16 Intis to the dollar.

The decision is despite a promise by President Alan Garcia not to devalue before the end of the year.

Mr Cesar Ferrari, the central bank's general manager, said the devaluation was made "to avoid speculation".

The official exchange rate is used for imports of basic foods and medicines and as a base over which rates for exporters and importers are calculated.

President Garcia also has named Mr Pedro Coronado Labo, the cabinet secretary, as president of the central bank. Mr Coronado replaces Mr Leonel Figueroa, who resigned in June.

The new central bank president will take control as Peru's net reserves have dropped to about $450m, the lowest level since 1980. This year's overall reserve loss is expected to reach $600m.

El Salvador killing

GUNMEN have shot dead a human rights leader in El Salvador, raising further obstacles to a Central American peace plan due to take effect next week. Reuter reports from San Salvador.

Herber Ernesto Anaya, 33, president of El Salvador's independent Human Rights Commission, was gunned down in the street. The commission blamed government officials for the killing.

Canute James on how economic growth is bringing its own problems

Jamaica buoyancy a cause of worry

MR EDWARD Seaga, Jamaica's Prime Minister and Finance Minister, repeatedly argued that the economic austerity measures which he implemented between 1981 and 1985 would eventually lead to a stronger more vibrant economy. By all indications, Mr Seaga's faith in efforts to bring about structural adjustment of the island's fragile economy have borne the fruit he expected - to such an extent that the level of buoyancy which the economy is displaying threatens to embarrass the Government.

According to the central bank, the island's economy is growing at an annualised rate of 5.5 per cent, after expanding by 2 per cent last year. In the four years to 1985, the economy suffered a cumulative decline of 2 per cent. The central bank had forecast economic growth this year at 3 per cent and the Prime Minister is now urging caution, clearly concerned at the dangers of overheating the economy of the island of 2.3m people.

There is a need, he said, to keep the growth below 6 per cent this year so as not to jeopardise the balanced performance of the economy "which is now in the best shape for the past 16 years." The Government is considering fiscal measures to ensure that the growth rate is controlled.

"With two good years back to back, the economy is now back on track," the Prime Minister said. "It can now deliver meaningful economic growth on a sustained basis, a position not experienced since the 1960s. We must do everything to protect the new buoyancy."

The turnaround in the economy may have come too late for Mr Seaga's hopes for a third consecutive term as prime minister. The austerity measures ate into the popular base of his conservative Jamaica Labour Party, and shifted support to the opposition Social Democrat Peoples National Party led by Mr Michael Manley, a former prime minister.

Jamaica's economic revival may have come too late to save prime minister Edward Seaga (left) from defeat at the hands of opposition leader Michael Manley

Mr Manley has attacked claims that the economy is doing very well. Despite the growth, Mr Manley said, the island's gross domestic product is still 5.1 per cent below that of 1978.

The spurt in growth has been built on improved performances in the key sectors including bauxite, of which Jamaica is the world's third largest producer. The economy was hit hard when output fell from 12m tonnes in 1980 to 6.1m tonnes in 1985. It recovered last year when output rose to 6.9m tonnes and in the first half of this year was 17.4 per cent up on production in the corresponding period of 1986.

Tourism, the other major leg of the economy which grew last year by about 12 per cent, is running 12 per cent higher in the first eight months of this year. Growth in the manufacturing sector, says Dr Headley Brown, governor of the Bank of Jamaica, is 18 per cent higher than in the first half of last year.

With an election due within 14 months and suggestions that Mr Seaga could call it next summer, public opinion polls indicate that the PNP is far ahead in popular support although Labour appears to be closing the gap. Ironically, if Mr Manley wins the election, he would inherit an economy much leaner and fitter than that which he bequeathed Mr Seaga in 1980.

As part of his efforts structurally to adjust the island's lopsided economy, backed by financing from the World Bank and the International Monetary Fund, Mr Seaga has trimmed the fat from the state sector, progressively reducing the fiscal deficit, deregulating imports and reducing tariffs, divesting state enterprises and devaluing the Jamaican dollar by a cumulative 70 per cent over three years.

But the Prime Minister has paid a political price, losing support among the island's poor. Thousands of jobs were lost in the state sector, real wages fell and prices increased as the parity of the local currency fell. Social services, mainly health and education, were adversely affected by the budget cutbacks.

At the same time, Mr Manley has worked hard at burnishing his political image at home and abroad, arguing with apparent effectiveness that many foreign and domestic policies of his administration in the 1970s, including close ties with neighbouring Cuba, were on reflection poorly or too enthusiastically implemented.

Many visits to the US by Mr Manley have resulted in an acceptance in the corridors of influence in Washington that he is not a closet Communist and does not represent a threat to US interests in the Caribbean.

In offering his own solutions to Jamaica's economic problems, Mr Manley indicates a willingness to build on much of what Mr Seaga has done. "Certainly the PNP does not want to inherit a corpse," he says.

But neither Mr Seaga nor Mr Manley, in dealing with the economy, are likely to have an easy task. The island is strapped for foreign exchange and 41 per cent of its export earnings go to service a $3.5bn foreign debt. Unemployment, at 27 per cent five years ago, is still at a dangerous 22 per cent. In addition to maintaining the stability which the economy is enjoying, a new administration will have to find money to ensure that there are enough school desks and chairs, hospital beds and cheap houses.

It will have to do this while ensuring that exports are increased to reduce the trade deficit which jumped to $257.9m between January and June of this year, $94.3m more than the deficit in the first six months of last year.

Canada's MPs back constitution change

BY DAVID OWEN IN TORONTO

THE CANADIAN House of Commons this week endorsed the Meech Lake constitutional accord, which would bring Quebec into the Canadian confederation and give the provinces wider powers, by a resounding 242-16 majority.

The result represents a remarkably solid endorsement of the deal hammered out by Prime Minister Brian Mulroney and the ten provincial premiers in April. It promises to provide the administration with something of a fillip at a time when its popularity is at a low ebb.

The Commons vote represents the approximate mid-point in the complicated process of approving the deal which must be endorsed unchanged by the Commons and all ten premiers by June 1990.

Only two provincial legislatures - Quebec and Saskatchewan - have so far given the necessary endorsement. However, several provinces plan hearings soon and approval is expected in most cases before next summer.

One potential fly in the constitutional ointment is the attitude of newly-elected New Brunswick premier, Mr Frank McKenna, who this month won an astonishing clean sweep against long-time Tory premier, Mr Richard Hatfield, on a platform which included opposition to certain aspects of Meech Lake. Some observers have expressed the view that Mr McKenna would be justified in refusing to ratify the pact since he was not a signatory to the original agreement.

The pact has given rise to criticism both from women's groups who fear that it jeopardises equality rights enshrined in the *Charter of Rights and Freedoms* and residents of the Yukon and Northwest Territories who were excluded from the Meech Lake talks and certain of the accord's provisions.

The Liberal-dominated Senate, the Canadian Upper Chamber, is currently holding hearings on the subject, many of them in the country's frozen north. These are expected to continue until next summer.

British company to be China agent

By Ian Hamilton Fazey

LANCASHIRE Enterprises (LEL), the industrial development company set up by Lancashire County Council six years ago, is to act as a European agent for China's Guangdong Province under new trade links now being set up.

The links include a development company to encourage more joint ventures between European businesses and Guandong - which contains the Shenzhen special economic zone near the border with Hong Kong - and an import-export company to generate the foreign exchange that will enable the Chinese to pay for them.

A delegation from Guandong, led by Di Chang Yun, secretary-general of the Provincial People's Government, has been touring the English North-West this week and goes on to Strathclyde for more trade talks today.

Apart from talks with LEL, the tour has taken in Leyland Bus, Crown Eyeglass, a Blackburn manufacturer of spectacles, and NIS, a Chorley-based engineering systems specialist which works extensively in the nuclear industry.

All have been helped by LEL, particularly in financing buyouts by their managements. LEL owns 40 per cent of NIS as a result and is at present negotiating its equity stake in Leyland Bus, following support for its management buy-out.

LEL - which has cross-party support - was originally funded by Lancashire County Council. Its investments in local businesses and industrial property have yielded steady profits to enable its funds to be ploughed into more industrial development.

Mr Jim Mason, LEL's chairman, led a fact-finding Lancashire delegation to Guandong and Shenzhen in September to investigate possibilities.

But what was expected to be a tentative feeling towards trade links went much further, with agreement to form the two companies and a request by the Chinese that LEL act for it in the European Community on developing trade and inward investment into Guandong.

The Chinese products would include silk, carpets, porcelain and similar up-market goods that would generate foreign exchange.

This in turn would be used to finance exports to Shenzhen.

An ailing enterprise breaks the sacred self-management principle in order to survive. **Judy Dempsey** reports

Yugoslavia's giant plant steels itself for turnround

IF there is one enterprise in Yugoslavia today which refuses to give up, sell off the furnaces and close the gates, it is the Metalurski Kombinat Smederevo (MKS) of the Republic of Serbia.

This gigantic steel works, on the banks of the River Danube about 40km east of Belgrade, is struggling to survive under new management with the help of Davy McKee of Sheffield.

The political and economic climate is of little help. Yugoslavia owes more than $20bn to Western banks. MKS itself accounts for half of Serbia's $3bn foreign debts. At one stage in the 1970s, the hard-pressed Serbian taxpayer had to contribute to the construction of the steel works.

Davy McKee was the main foreign investor who helped construct the works, install up-to-date equipment and provide technical assistance. Now, together with a temporary business board brought in to restructure the loss-making company in September, Davy McKee is looking at ways to turn the company around.

The task is mammoth. When plans were drawn up in the early 1960s to expand the original steel plant, founded in 1913, the political and economic atmosphere in Yugoslavia was more than favourable. The individual republics were keen on expanding their own industrial bases, especially in the heavy industry sector, and money seemed available to support these enterprises, some of which turned out to be white elephants.

Mr Zivomir Milutinovic, a member of the temporary board in MKS, is quick to refute charges that the plant at Smederevo is a white elephant. "Not only does the Republic of Serbia need us, but the Yugoslav economy needs us," he says, arguing that MKS can increase productivity and fulfil its contracts to suppliers.

The plant was supposed to have been producing 1.2m tons of steel a year to meet the bulk of the country's annual steel requirements of 2m tons, but it has never reached that target. Its total annual steel production is running at 500,000 tons.

Endless delays in construction postponed full production. The financial backing, from foreign banks, Yugoslav enterprises and Yugoslav banks was slow to materialise. Over the past 25 years, construction costs alone have amounted to $3.5bn.

> The economic climate is of little help. Yugoslavia owes more than $20bn to Western banks. MKS accounts for half Serbia's $3bn foreign debts. In the 1970s, Serbian taxpayers contributed to its construction

A devastating fire last year which destroyed cranes, blast furnaces and roofs did little for morale. Losses for 1986 totalled dinars 12bn ($4.7m). This year's losses will amount to dinars 15bn, although it is rumoured that for the first six months of this year, MKS has recorded losses much higher.

In spite of the gloomy picture, the temporary board and Davy McKee are cautiously optimistic.

The temporary board has full powers to bypass the self-management principle, still ideologically sacrosanct among most Yugoslav politicians, under which it is almost impossible to dismiss any part of the workforce or radically introduce changes. The new board can suspend self-management, cut the workforce, reorganise the structure of the plant and push through its recommendations.

Mr Milutinovic admits that the running costs, which will amount to dinars 277bn for next year, are about 10 per cent above what he calls "world normative standards." He also says the 11,000 strong work force should be reduced by about 20 per cent. His policy is to improve productivity, try to reach an annual capacity of 1.4m tonnes by 1990 and get the new production lines rolling. This is where Davy McKee comes in.

Davy McKee's involvement first began in 1979. Against stiff competition, they won a contract to supply $230m worth of cold rolling mill equipment later supplemented with $150m of semi-finished products which are the profitable side to steel production. The contract was backed by the UK Exports Credit Guarantee Department.

> The plant was supposed to produce 1.2m tons of steel a year to meet the bulk of the country's annual steel requirements of 2m tons, but it never has. Total annual steel production is running at 500,000 tons.

The Sheffield company delivered the equipment on time but they admit that "the installation and commissioning of the equipment was slower than both sides would have liked."

That contract has now been concluded. In the meantime, Davy McKee has extended an additional $1m loan as part of recommissioning the cold mill which was damaged during the fire.

In a separate agreement a joint venture, worth $80m to Davy McKee, was signed in 1978 but the company has since reduced its involvement to $41.25m. Under the terms of the contract, Davy McKee will supply milling equipment until 1990.

MKS's poor results have not dampened Davy McKee's commitment to MKS completely. The presence of the temporary board gives them some hope. "We don't expect MKS to make profits, but it should be able to improve quality and quantity," a spokesman for Davy McKee commented.

It is encouraging for them that MKS repaid their loans on time to Davy McKee. At a time when Yugoslavia's national bank was asking for a moratorium on its foreign debts in June, MKS repaid the $8m due to Davy McKee and $16m has already been repaid as part of the joint venture agreement.

Repaying the loans perhaps indicates MKS's determination to hold onto its British partner. It also indicates MKS's determination to survive at a time when the cost of survival might seem, to MKS's many critics, to outweigh the cost of credibility.

Turkey to invite bids for health sector plan

By David Barchard in Ankara

TURKEY is to invite international consultancy firms to submit bids to prepare a Health Sector Rehabilitation Master Plan for the country.

The government passed legislation last May aimed at upgrading the country's health services, generally agreed to be the poorest in Europe.

The plan will aim at a long-term strategy to eliminate inequalities in health status and access to basic services and design a Health Development Project.

The successful bidder would be expected to work with a local consultancy company in drawing up the plan.

It is understood the plan will be expected to cover both preventive and curative medicine and that it will look at environmental problems and other related issues.

The Masterplan appears to be part of the grand strategy of Mr Turgut Ozal, the Prime Minister, for reshaping Turkey's major institutions. The Ministry of Health is understood to be less than entirely happy with the idea of a health strategy not prepared under its auspices.

It already has a pilot health development project under way in nine of the country's 67 provinces.

Infant mortality and life expectancy figures in Turkey lag well behind those of the rest of Europe, despite a relatively high number of doctors per thousand of the population. Well-to-do Turks generally try to have major surgery performed outside the country.

● Turkey's State Airports Authority, DHMI, is to invite fresh bids for a project to equip the country's civilian airfields with radar equipment.

The contract was originally tendered in November 1985 and was awarded last July to Thomson-CSF of France at a price of DM 83.5m. However, it was cancelled without explanation by the Turkish government two days before the signing was due.

Turkish anger at French attitudes towards Kurdish and Armenian extremists was cited as a possible reason for cancellation.

The bidders in the new contest are expected to remain the same as in the original bidding. They will be Thomson-CSF (France), Selenia (Italy) and the Hughes Aircraft Company.

Pratt and Whitney may sue Israel over Lavi

BY ANDREW WHITLEY IN JERUSALEM

PRATT AND WHITNEY, the US aero-engine manufacturer, is considering taking legal action against the Israeli Government over the cancellation of the Lavi combat aircrat, in a move which could open the floodgates to a deluge of similar claims.

Local press reports put the Pratt and Whitney claim at $300m, a figure presumably based on the estimated termination costs for the PW1120 engine being being developed to power the controversial Israeli aircraft. But the US company, a division of United Technologies, may be prepared to forgo part of its claim in return for future business with Israel.

According to industry executives, Pratt and Whitney intends to submit its formal claim to the Defence Ministry for 'justifiable termination costs' within the next few weeks. Attached to the bill will be a list of new proposed areas of co-operation.

In total, 11 PW1120s turbo-fan engines, producing a thrust of 20,620 lbs, were delivered to Lavi's main contractor, state-owned Israel Aircraft Industries, prior to the Government's reluctant decision, under US pressure, last August to cancel the aircraft.

Other major US aerospace companies affected include Grumman, makers of the wings and tail section, and Lear Siegler, responsible for some of the avionics. The only significant British involvement was through Martin Baker, which was to provide the ejector seat for the 300 aircraft originally planned for the Israeli Air Force.

In discussions this summer with Israeli officials, the Reagan Administration is understood to have given informal assurances that it would cover some or all of the cancellation costs, if the deeply divided coalition government voted in favour of scrapping.

Defence Ministry officials are expected to fly to the US in the coming days in a bid to head off Pratt and Whitney suits, which they fear could seriously complicate Israel's efforts to develop work-creating alternatives to the Lavi, to limit the fall-out from the cancellation decision.

Lauda wins battle for Bangkok flights

By Judy Dempsey in Vienna

MR NIKI LAUDA, Austria's former Grand Prix racing driver, who now runs Lauda Air, his own airline, has won his long battle to fly scheduled flights to Bangkok, Hong Kong and Australia.

After 18 months of negotiations with the Austrian authorities, Mr Rudolf Streicher, the minister for the nationalised industries and transport, finally gave Mr Lauda permission to fly new scheduled routes.

Beginning in April 1988, Lauda Air will open a scheduled return route Vienna-Bangkok-Sydney, and later a second route to Hong Kong via Bangkok.

Mr Lauda, a staunch critic of Austrian bureaucracy and the monopoly held by the state-run Austrian Airlines, fought hard for the permission.

"If deregulation ever comes in Europe, it will put a lot of pressure on the charter operators. That's one of the reasons why I wanted scheduled operations for my planned routes," Mr Lauda explained.

UK seeks bigger share of Chilean mining market

BY ROBERT GRAHAM

MR ALAN CLARKE, the British Trade Minister, today begins a six-day visit to Chile as part of an offensive to gain a bigger share of the Chilean mining industry market, worth an annual $1.5bn.

He will also be discussing plans by various British companies in the defence field including a British Aerospace bid to win an order from the Chilean Navy for Sea Wolf missiles. This is the first trip by a British Trade Minister to Latin America in nearly three years.

British exports to Chile were up 79 per cent in the first six months of the year to £81m, only £7m less than the figure for the whole of 1986. This trend is in line with a traditional imbalance: annual purchases from Chile total £128m.

The large mining sector, which covers the state-run copper mines, multi-national copper ventures, coal, gold and nitrates, has been traditionally serviced by the US, with the UK supplying under 5 per cent. Last year a mission from Codelco, the state copper concern, visited the UK outlining the potential.

This in part led to the current visit by Mr Clarke. More important, the minister's visit will be followed in two weeks time by a 32-man trade mission under the aegis of Latag (the Latin American Trade Advisory Group).

Codelco alone is investing $400m annually and is spending a further $300m on ongoing equipment needs. The other attraction for British exporters is that the ECGD (the Export Credit Guarantee Department) is offering medium-term cover under its DX facility for countries promoting economic recovery.

Despite formal disapproval by the British Government over the continued human rights abuses by the military government of Gen Augusto Pinochet, ties remain close, and the country's economic performance has attracted favourable comment.

The rise in British trade with Chile (partly reflecting the purchase of a second-hand warship from the Royal Navy) underscores the modest recovery under way in most Latin American economies.

Saudis 'want to buy two reactors'

SAUDI ARABIA is trying to obtain two small nuclear reactors from a West Germany company to be used in the kingdom's atomic research centre, the company said, AP reports.

Interatom had been discussing the sale with Saudi officials "for a long time," it added. "But there have not been specific contract negotiations so far."

An eventual sale would have to be approved by the West German government.

A 10-megawatt reactor would be used for nuclear physics research and production of isotopes used in medicine. The other reactor, described as a "mini-reactor," would be used for instructing students.

Interatom is based in Bensberg, near Cologne, and is a wholly-owned subsidiary of Siemens, West Germany's largest electronics concern.

The Economics Ministry said West German and Saudi officials have been in contact over the possible sale of the reactors for several months.

The Saudis were ready to accept international supervision over the reactors.

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MANAGEMENT

Software becomes a priority as ICL tailors its products

Sound niches are the UK group's target before trade barriers come down, David Thomas reports

target europe

ICL

IT WAS BROUGHT home to Peter Bonfield, the forceful chairman of ICL, Britain's largest computer company, just how big a job he had in selling the virtues of going European when he was having a drink with one of his senior managers a couple of years ago.

"Why are you always going on about Europe? If we are strong in the UK and reasonable in the US, surely that is all we need?" is Bonfield's memory of his manager's puzzlement.

For Bonfield, communicating the correct answers to those questions is crucial to securing ICL's future in the next decade. "By then, the home base we will have to protect will be Europe, not the UK," Bonfield says.

Bonfield backs up this confident assertion by pointing to the European Commission's programme of creating a common internal market by 1992. But even if, as many observers believe, 1992 is too tight a deadline for such an ambitious programme, Bonfield still argues the virtues of focussing his company on that date.

ICL believes that other factors, such as the move towards more open standards, the pressures on its customers to Europeanise their operations, the liberalisation of telecommunications across Europe and the gradual reduction of nationalistic influences on public purchasing, are pushing in the same direction. "We are using 1992 as a catalyst. If we don't change by then we will be in worse trouble," Bonfield argues.

So Bonfield wrote to all ICL managers in August specifically canvassing their views. "I want swiftly to explore how we could speed up the process of Europeanisation and in so doing translate our success in the UK market to success in the total European market," the internal document says.

For ICL, thinking European has so far meant action on two distinct, but inter-related levels:

●The company is acting now to build up its presence on, and sales to, the Continent, where it is still barely known in many key markets. While sales to European Community countries rocketed 34 per cent last year, that still left them accounting for only 14 per cent of ICL's £1.194bn turnover.

●ICL is also actively planning for the common internal market, whenever it finally arrives. It has set up a committee of people with experience in the ways of Brussels to help it prepare for the great date.

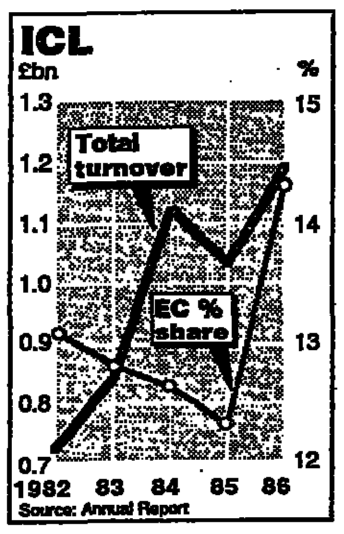
ICL's immediate goal is to transfer the strategy which it has forged for the UK onto the Continent. That strategy revolves around two poles: focussing ICL on certain niches, such as retail or manufacturing, in the process abandoning the pretension of being able to compete across the board with the giants of the industry, such as IBM; and shifting the emphasis away from hardware to services.

Jean-Claud Albrecht, head of ICL in France, which the company considers to be one of its most promising markets, is aiming to open up almost one niche a year.

Two years ago, Albrecht concentrated on videotex, which is highly developed in France; he now claims 8 per cent of the French market. Last year, he turned to retail: Albrecht says contracts for check-out equipment from some of the giants of the French hypermarket scene, such as Euromarche and Carrefour, have given ICL 20 per cent of the market this year, which he hopes to turn into 30 per cent next year.

Next year ICL France will move into another niche, financial services, according to Albrecht, who joined the company four years ago with a background in the French public sector and high tech private companies.

Carrying out this niche strategy has involved ICL in coming to terms with subtle tensions between centralisation and local autonomy. On the one hand, the particular niches reflect group priorities: retail, for example, is one of ICL's chosen areas in the UK. This allows managers on the Continent to draw on the group's marketing and development expertise.



Source: Annual Report

On the other hand, the trend is towards more local products. Reflecting the shift in emphasis from hardware to services, computer companies are spending more time ensuring that products meet the specific needs of individual customers. "Our retail products have to be redesigned for the French. Almost every country has something special about the way it does business," according to Tomo Razmilovic, who heads ICL's international operations.

To support this niche strategy, ICL has opened two development centres on the Continent: one in Paris for network systems, the other in Dusseldorf to support its push into the West German computer-integrated manufacturing market.

The development centres are small (the Paris one will have about 25 workers by the end of this year) but ICL regards them as a group resource: they are there both to bolster the development work of the national organisation and to feed ideas back into ICL headquarters.

It has also had to set out on the recruitment trail, attracting to its national businesses people skilled both in technical development and in the niches it has targeted. This has required some blood-letting among existing staff, which would have been necessary in any case because many of ICL's Continental operations were losing money.

Thus, turnover at ICL France will be FFr750m (£75m) this year with 660 staff, compared with less than FFr700m three years ago with 850 staff, according to Albrecht.

The company also replaced many of its German workers a couple of years ago because it was dissatisfied with their performance and because it felt its products were not right for the fiercely competitive West German market.

Bonfield admits that ICL considered pulling out of West Germany altogether at that time, but decided it would be a counsel of despair to abandon such a large slice of the European market. Its manufacturing development centre and an acquisition of a small German software house specialising in manufacturing were part of its new focus in Germany, but the company still does not believe it is as well placed there as in France.

The next stage in ICL's localisation will probably be to set up one or two small production centres on the Continent, a move it is actively considering, to take account of both the greater customer content in products and the political pressures to show commitment to a market. However, Bonfield, who argues that "the idea of manufacturing is changing," cautions against reading too much significance into such a move; in computing, much of the value added is in software development, not in assembly or metal-bashing.

Bonfield has also reorganised the company's structure in order to provide a greater focus on its international operations. In the past, the national businesses all reported straight to him. In theory, this meant that ICL France had the same weight as ICL UK. In practice, however, Bonfield inevitably paid much more attention to the demands of the UK business.

Bonfield was keen to evolve a structure which pulled off the twin trick of giving the international businesses greater clout at headquarters while at the same time recognising the autonomy they needed to operate.

To beef up the international side's standing, he created an international operating division alongside ICL's UK division. This is headed by Tomo Razmilovic, who came to ICL after a career with US computer companies. To signal their relative autonomy, the national businesses now report to Razmilovic, not Bonfield - "All of Tomo's guys operate with a fair amount of freedom," Bonfield says.


Peter Bonfield: "We are using 1992 as a catalyst"

This structural reorganisation is just one example of Bonfield's attempt to get his UK staff to think more in European terms. Another has been to build Continental goals into managers' incentives; the bonuses of some of ICL's marketing staff on the retail side this year depend on them signing up at least three new Continental accounts. This goes hand-in-hand with senior management in the UK spending more time on European matters.

The European focus is also the subject of a training programme for ICL's top 150-200 managers being prepared by the London Business School. The programme, to be run next year by Gary Hamel, who lectures in business policy, builds on a similar exercise carried out by ICL when it was reshaping its entire group strategy.

Hamel will base the course around three or four detailed case studies of how companies from the US and Japan have successfully built up a European presence. He sees his job as talking through the problems of market entry, particularly barriers like British high tech companies' reputation for being interested in the Continent only when times are tough in the UK and the US.

ICL also reckons that one of the spin-offs of its joint research centre with Bull of France and Siemens of West Germany, established in Munich in 1983, will be a greater understanding of and higher profile on the Continent. The centre, which has 50 researchers studying artificial intelligence problems at the frontiers of computing research, is mainly of interest to ICL because it helps to spread its development costs.

But it has a wider role in ICL's European strategy as Mike Watson, director of marketing and technical strategy, explains: "We are heavily involved in the UK programme - in the Alvey programme and in British universities - but we had little perception of what was happening on the Continent...Anything you do outside the UK helps establish you are not an insular company."

Watson says that ICL is now discussing with Bull and Siemens the possibility of collaborating in the commercial exploitation of some of the fruits of the Munich centre.

Generally, however, Bonfield believes there is little mileage in collaboration between direct European competitors on commercial, as opposed to pre-competitive, projects. "There is still a lot of reluctance within companies about letting competitors in through the back door."

The Munich research centre is part of ICL's medium term thinking about Europe, as is the work ICL is doing to anticipate the European Commission's programme of creating a common internal market. Two years ago, ICL set up a European advisory panel to advise it on all things European. The panel is made up partly of insiders such as Bonfield and partly of outsiders such as Sir Michael Butler, British Ambassador to the European Community between 1979 and 1985.

Sir Michael believes that companies like ICL need to prepare carefully for the emergence of a pan-European market. "In the case of the information technology industry, it is an opportunity and a challenge - but also a threat, because the Americans and the Japanese, particularly of course IBM, are more organised than any European company and are very powerful competitors."

The advisory panel has been pressing the EC and the UK government, drawing on Sir Michael's knowledge of where to apply that pressure, to make sure that a number of other policy objectives are also met as Europe moves towards fewer internal barriers.

ICL wants open standards to ensure that competition is fair, a goal which could be helped by European governments specifying open standards when making purchases. It is also pushing for trade reciprocity, so that the US and Japanese markets are no less open than the European, particularly when it comes to public purchasing.

ICL believes that a powerful European-wide lobby for these ideas exists, pointing to the fact that the heads of ICL, Bull, Siemens, Nixdorf of West Germany, Olivetti of Italy and Philips of the Netherlands put their signatures to a manifesto making these points in London last year.

In the last analysis, however, ICL's success in Europe will be determined not by its participation in such high level attempts at policy formulation, but by whether it has devised a commercial strategy suited to key markets and by whether ICL keeps its nerve if the going gets tough.

As the LBS's Gary Hamel puts it: "In the end it's really a question of top management guts. It's a question of ensuring that UK sales organisations don't always have the first call on resources when those resources are scarce."

Previous articles in this series appeared on October 14 and 21.

Management abstracts

Design to win. *J Pilditch in Journal of the Royal Society of Arts (UK), Mar 87 (13 pages)*

The chairman of the NEDO design working party expands its principal conclusion that there are significant differences between the way most companies develop new products and the way the winning companies do. Identifies ways in which the majority go wrong, eg by over-emphasising low cost, by taking too long on the development process, by failing to study competitors' products, by undervaluing quality, lack of team work.

Management's impact on first-line supervisor effectiveness. *T L Hansen in SAM Advanced Management Journal (US), Winter 87 (15 pages)*

Argues that the less than satisfactory performance of first-line supervisors stems from the actions of management rather than from supervisors' deficiencies; distinguishes between direct and indirect management actions - direct, including selection and the provision of information; indirect being, for example, honesty and conscientiousness.

The older eye at work. *J Voke in The Safety Practitioner (UK), Apr 87 (2 pages)*

Examines the need for stronger workplace illumination (while not ignoring the problem of glare) to accommodate the needs of the older worker (specifying over-40 as the age where vision starts losing its acuity). Recommends medical screening to detect the onset of glaucoma.

Merger mania: what marketers need to know. *A Urbanski in Sales and Marketing Management (US), Feb 87 (4 pages)*

Examines the fate of marketing people in companies during takeovers; advises on not panicking but on discovering the nature of the takeover - be it from a financial or marketing angle; advises on keeping communication lines open with the sales force and with customers.

Occupational crime prevention. *A Beardsworth in Security Gazette (UK), Mar 87 (3 pages)*

Notes the increasing degree of occupational crime, eg fraud at the workplace; presents such a framework which classifies occupational crime, based on criteria such as the level of supervisory control; looks at psychological aspects which lead often high-status individuals to indulge in fraud; explores the monitoring and control of occupational crime.

These abstracts are condensed from the abstracting journals published by Anbar Management Publications. Licensed copies of the original articles may be obtained at a cost of £4 each (including VAT and p+p; cash with order) from Anbar, PO Box 23, Wembley HA9 8DJ.

Company Notices

TECHNOLOGY

Big-hearted visions of integrated trading

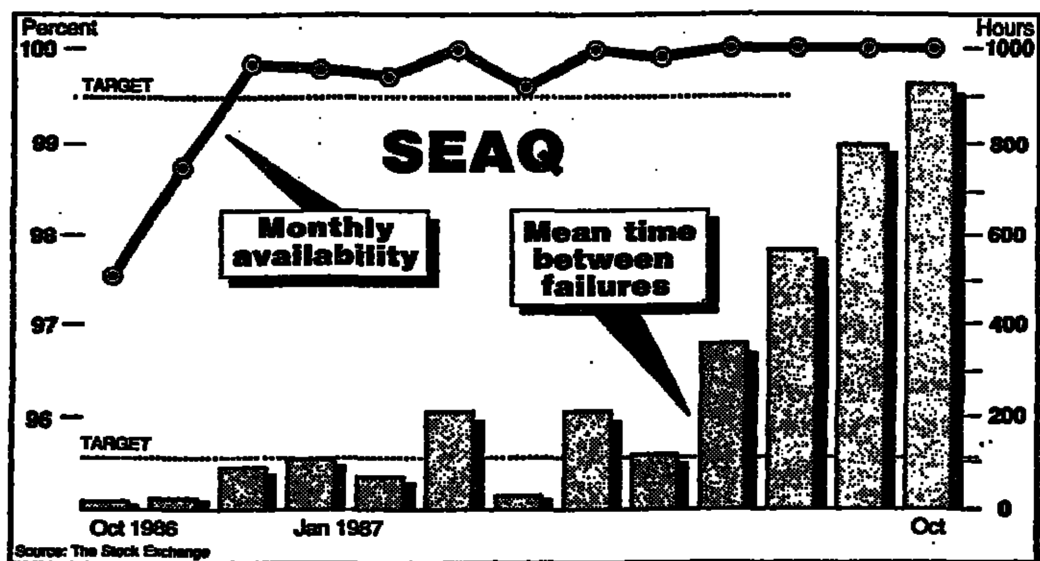
Alan Cane examines moves to boost computer power within the London Stock Exchange

THE COMPUTER systems at the heart of the London Stock Exchange's price information services are shortly to be given a big boost in power, virtually their first since Big Bang a year ago.

Over the next few weeks the three Digital Equipment VAX 8600 computers that drive Seaq, the Stock Exchange automated quotations service, will be replaced with VAX 8800s which are roughly twice as powerful.

The new computers are expected to be fully operational early next Spring, and the eight Modcomp computers which run the Topic viewdata price distribution service will be replaced one at a time by new 32-bit machines that should give dramatically improved performance.

George Hayter:'World price information remains a possibility.'



Source: The Stock Exchange

Meanwhile, the computer software underlying the Seaq and Topic services is undergoing continuous revision, modification and fine tuning. It has enabled the systems to handle far heavier loads than would have been possible a year ago. Before Big Bang, Topic was handling 2m price enquiries a day. The week after, volume doubled to 4m price enquiries.

In the days leading up to last week's unexpectedly violent market turbulence, Topic was handling successfully 8m price enquiries a day. And all of this using essentially the same computers with which the Stock Exchange went into Big Bang.

There has already been a drastic revision of Seaq software in preparation for the Exchange's automated small order execution system, Saefs, now scheduled to be launched towards the end of 1988. By the end of December, for example, it should be possible for market makers to indicate they are prepared to deal in packages of up to 1m shares. At present they are limited to indicating 'L' on the screen, signifying a willingness to deal in sizes of 100,000.

Other modifications should help to eliminate delays in the performance of Topic. In the middle of the summer, for example, the time taken for Topic to respond to an enquiry reached 10 times the target of five seconds, when the Exchange attached too many Topic terminals to the system.

The past twelve months has confirmed that the markets of tomorrow will be electronic. At a press conference earlier this week in which Stock Exchange authorities assessed progress in the year following Big Bang, George Hayter, head of information and settlement systems, emphasised that information technology was the essence of the new markets.

"Information technology," he said, "was to the Stock Exchange what aircraft are to British Airways." And while Exchange technologists press on with measures to get the most out of the existing system, Hayter and his colleagues are developing concepts for a new system which will link all market participants and functions.

Just as every aspect of the "factory of the future" will be tied together by computers to give computer integrated manufacturing, so the Exchange has a vision of computer integrated trading, where everything from the initial order to final settlement is managed and controlled automatically.

The grand design is still in preparation. What Hayter calls a "systems architecture", or blueprint, is not likely to emerge before late 1988. But it should bring new efficiency and economy to the market. He points out: "It will mean that our customers will have a single communications interface. They will not have to have a multiplicity of links with different computer systems, nor will they have to keep re-entering the same information, making mistakes as they do so."

Information technology is to the Exchange what aircraft are to British Airways

Designing and building Seaq was a hurried, nightmarish experience where progress was continually disrupted by events like the growth of the international shares market in London and the Exchange's need to respond to it. There is every sign that the Exchange has no intention of falling into the speed trap again.

Taurus, for example, the electronic settlement system, will not be ready before 1989, despite pressure to find a solution to the present settlements problem. Nor will there be the same rather high-handed insistance during the Seaq development phase that the centre would set the standards and everybody else adhere to them: "We did that because we were in a rush and we had no alternative," Hayter explains, somewhat defensively.

Now there is a committment to understanding the needs of the customers. The essence of designing a computer integrated marketplace, for example, is deciding how best to connect together the various different computer systems - DEC, Modcomp, IBM, ITL and so on. Logically, the choice should be a set of rules called Open Systems Interconnection, supported by the UK Government and by most computer manufacturers. But there is a case for using IBM's proprietary and competitive connection rules, SNA.

Building Seaq was a hurried nightmare. There is no intention of falling into another speed trap

Hayter says: "The case is based on the number of our customers who have large IBM systems. Unlike a regular corporation when it sits down to plan its networking strategy, we do not have control over the computers that are attached to this network. We have to do what is convenient for our customers. We cannot stand in the middle and say 'We are the Stock Exchange and you will adhere to OSI standards.'

"We are looking at ways in which we can support both types of communications architecture on the same common backbone network."

The year since Big Bang has failed to dim Hayter's vision of London as the centre of a web of information networks taking in stock market price information and distributing it widely. "That remains a real possibility. It is on the burner - not the back burner. It would be possible to distribute not just our own market information but prices from other markets as well

"We are not ready to announce anything at this stage, however."

Friday's Technology Page will look at the electronic systems of brokers and market makers.

US searches for the perfect bus driver

A FEASIBILITY study carried out at the Los Alamos National Laboratory in the US has shown that a city bus powered by fuel cells could be built using existing technology. The US Departments of Transportation and Energy are therefore developing a programme to build a bus using a hybrid power system with fuel cells and conventional electric batteries.

The fuel cell is a type of electrochemical generator that offers a good power-to-weight ratio and produces electricity from a controlled chemical reaction of hydrogen and oxygen.

The cells are more efficient than internal combustion engines, are quieter and cooler in operation and need less maintenance. They also do not emit pollutants. Hydrogen and oxygen are put in, electricity and water come out.

The planned city bus will use oxygen from the atmosphere and hydrogen derived from methanol (methyl alcohol), an abundant industrial fluid that is easily stored.

Peak power demands of the vehicle will, however, have to be met by ordinary batteries until the fuel cell is further developed.

The laboratory also admits that the initial cost of fuel cells is high, which is why they have so far been used mainly in the space programme. Their cost will have to be reduced by at least 50 per cent for them to be competitive with diesel engines, says the Los Alamos study.

Philips extends band three network

PHILIPS TELECOM can now offer "band three" mobile communications services in London and plans to extend coverage to the rest of the UK. Band three uses the old 45MHz television frequencies, the 405-line service having been discontinued.

The company can set up a mobile radio service for a group of users using a technique called trunking, which automatically shares the available speech channels between the users.

Likely users will be fleet operators ranging from coach companies to petrol distributors. A town, county or several regions of the country can be covered, with eventual linking of widely separated operational areas of the same user group.

A user has a private channel to a base station, but only for the period for which he needs it. When he is finished, the channel is returned to a "pool" of 100 channels, which are allocated by computer.

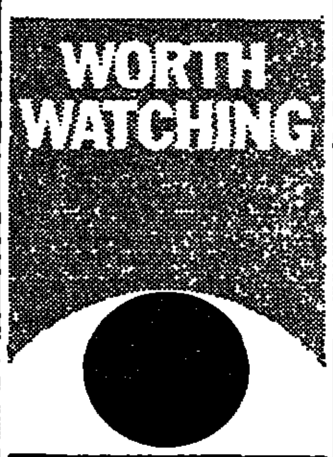
Should all the channels be in use, a prospective user joins a queue and waits, usually only for a few seconds, until a channel becomes free and is allocated.

German bugs eat into waste problem

IN GERMANY, Siemens KWU, in conjunction with the Julich Nuclear Research Centre, has installed a plant at Luchow designed to treat the waste water from a factory where some 1400 tons of potatoes are process daily into starch.

The plant uses bacteria, that *do not require oxygen for* growth, to digest the waste. The sludge that would normally be discharged into sewers is reduced by 80 per cent.

Another important advantage, however, is that flammable gas is generated which has about 80 per cent of the calorific value of natural gas. This "biogas" can be used locally in place of natural gas, thus cutting energy costs.



Edited by Geoffrey Charlish

Taking the acid out of coal-fired power

HUMPHREYS & GLASGOW of London and Nykomb of Stockholm, both with strong interests in the energy field, are collaborating to market a new *process for coal-fired power* stations. They say this process can "dramatically reduce" the release of acid gases.

The gases can cause acid rain and are generally believed to damage trees and other plant life.

The process, called CPG (Clean Power Generation), *uses a novel concept for the* production of clean gas from coal, and is applicable to any type of high-pressure gasifier. The gas fuels a combined gas and steam turbine system which drives electrical generators.

Sulphur-based acid gas and nitrogen oxide levels will be as low as those from the combustion of natural gas. And coal-fired stations fitted with the *clean-up system will register* emmision levels equivalent to only 10 per cent of those from conventional coal-fired power stations.

Motorola centres on cellular research

MOTOROLA, THE US electronics group, is to set up a UK-based cellular radio research and development centre for Europe.

The initial thrust of the new centre will be directed towards basic and applied research for the forthcoming Pan-European digital cellular radio systems. These will use a common standard of mobile radio throughout Europe.

GE shows its true colours

WHAT IS claimed to be the world's *largest high resolution* liquid crystal display (LCD) has been designed and built at the US General Electric corporate research and development laboratories, Schenectady, New York.

The lightweight flat panel measures 6.25 x 6.25 inches and is a full colour LCD display *designed to meet military* specifications.

It can be programmed to show engine performance, attitude, radar images and video information in military aircraft. The panel is under three inches thick, whereas the equivalent conventional television tube would be 14 inches *deep*.

LCD displays are normally black and white, as in the widely worn wrist watches incorporating the technology. But GE uses voltage driven red, green and blue filters in the LCD unit to achieve full colour displays.

CONTACTS: Los Alamos National Laboratory: US, (505) 667 7000. Philips Telecom: UK, 0223 61222. Siemens KWU: Germany, 89 807 3016. Humphreys & Glasgow: London: 828 1234. Motorola: UK, 0628 770678. GE Schenectady: US, (518) 387 6284.

FT LAW REPORTS

Mitsubishi can claim on shipbuilding guarantee

MITSUBISHI CORPORATION v ALAFONZOS
Queen's Bench Division (Commercial Court): Mr Justice Steyn: October 15 1987

PUBLIC POLICY may or may not require the courts to refuse to enforce a contract designed to deceive a third party, depending on the particular facts of the case; and the court will not set aside proceedings served abroad on the ground of unarguability in that the relevant contract was intended to deceive governmental authorities, if the plaintiff *has evidence*, though perhaps unconvincing, that the contract was not illegal.

Mr Justice Steyn so held when refusing an application by Mr Aristidis I. Alafonzos to set aside service of a writ on him out of the jurisdiction by Mitsubishi Corporation.

HIS LORDSHIP said that by a shipbuilding contract dated November 1 1984, Mitsubishi agreed to build a bulk carrier and to sell and deliver it to a Greek company owned by Mr Alafonzos, a Greek citizen. The price was Y4,000m payable in stages from signing of the agreement to delivery of the vessel.

English law was expressed to be the law of the contract and disputes were to be settled by London arbitration.

Contemporaneously with execution of the contract Mr Alafonzos signed a performance guarantee in favour of Mitsubishi. The guarantee contained no choice of law clause, nor arbitration clause.

In March 1986 and August 1986 the second and third instalments of the price became due, amounting to Y4,000m. The buyer failed to pay. It apparently contended that it had valid defences based on deficiencies in the vessel and Mitsubishi's failure to comply with its obligations.

Mitsubishi claimed the instalments from Mr Alafonzos as guarantor. He refused to pay.

In January 1987, an application was made to Mr Justice Staughton for leave to issue and serve proceedings outside the jurisdiction, under Order 11 of the Rules of the Supreme Court.

The affidavit before him disclosed that though the stated contract price was Y4,000m, a side agreement was signed whereby the actual price was Y3,690m.

It was stated that the reason for the side agreement was to deceive the Japanese governmental authorities, who had guidelines of prices at which vessels should be exported. The guideline was around Y4,000m and at such a price it would be easy for approval for construction and export of a vessel to be obtained.

The judge granted leave, and the writ was issued and served. In it, Mitsubishi claimed in excess of Y4,000m against Mr Alafonzos. On March 12, Mr Alafonzos issued the present summons to set aside service of the proceedings out of the jurisdiction.

The first issue on the summons was whether Mitsubishi had a good arguable case against Mr Alafonzos on the merits.

His case was that the shipbuilding contract, when read with the sale agreement, misstated the price. It was drafted to mislead the Japanese authorities as to the true price so as to obtain the necessary permits. The shipbuilding contract was therefore illegal as being subversive of English public policy.

Accordingly, it was argued, the guarantee was also illegal, or it was worthless because the obligations under the main transaction were unenforceable.

It was submitted that, as a matter of fundamental public policy, English courts had always refused to allow a claim on any contract drafted or structured so as to mislead third parties.

The authorities supported that proposition. Thus in *Alexander v Rayson [1936] 1 KB 169* a landlord's claim for rent failed in the Court of Appeal because he had persuaded the tenant to agree to sign two documents, intending to produce only one to the local authority in order to secure a low rateable value. The landlord sued on both documents. His claim was defeated on a defence of *ex turpi causa non oritur actio* [no action arises from an illegitimate cause].

But on this head of public policy the court was required to proceed with great caution, on the particular facts of the case.

That emerged clearly in *Saunders v Edwards [1987] 2 All ER 651*, which concerned the very different issue of drafting a contract in such a way as to avoid stamp duty by dishonest means. There the plea of *turpis causa* failed.

In that case, dicta of Lord Justice Kerr, at page 660, and of Lord Justice Nicholls, at page 664, showed that public policy was not an inflexible instrument.

In referring to those dicta it was not suggested that the courts might debate the public policy enunciated in cases like *Alexander*. On the contrary, in an age in which commercial fraud was proliferating it seemed imperative that courts should refuse to allow a party to rely on a contract which was drafted or structured to deceive third parties.

But what *Saunders v Edwards* showed was how very important the facts of each case were.

Mitsubishi contended that the particular circumstances of the case rendered the relevant head of public policy inapplicable. Its case appeared to be that it was entitled as of right to an export permit.

Mr Alafonzos's case was to the contrary. He said issue of the permit was a discretionary matter and that the deception was designed to procure a favourable exercise of the discretion.

Mr Mance, for Mitsubishi, pointed out that the deception, if established, took place abroad and did not constitute a tort or crime in the UK.

That did not amount to a material distinction. It would be extraordinary if public policy in the context of international business transactions condemned such conduct in this country, but allowed the coercive powers of the state to be enlisted if the deception was practised abroad.

The public conscience did not permit English courts to show a larger tolerance to the enforcement of a deceiving transaction if it took place abroad.

Mr Mance also emphasised that on the evidence it must be accepted that what Mitsubishi did was lawful under the law of Japan, the place of performance of the contract.

That might or might not be right. But the proper law of the shipbuilding contract was English law, and the question whether Mitsubishi had a good arguable case must be considered on the hypothesis that English law was the law of the forum.

The real question therefore was whether the shipbuilding contract was legal as a matter of English law, having regard to English public policy.

Mr Mance submitted that evidence as to Japanese law was relevant. He contended that there was no motive of direct illegitimate gain, but merely an intention to avoid political pressure from the Japanese authorities.

Mitsubishi's evidence as to Japanese law was unconvincing, and the court regarded the explanation of its motives with scepticism. But it was not possible to reject the version of facts relied on in its affidavits. At trial the burden of proof on this issue would be squarely on Mr Alafonzos.

On the basis of Mitsubishi's version of the facts, its case passed the required test of arguability, albeit without distinction. It had a good arguable case.

The second question was whether Mitsubishi had a good arguable case that its claim was on a "contract...governed by English law" within the meaning of Order 11 rule 1(1)(d)(iii).

The guarantee did not express a choice of law. The search was therefore for the system of law with which the transaction had its closest and most real connection.

There was a very close relationship between the buyers and Mr Alafonzos. It was not a case of a guarantee given by an independent bank or financial institution, where it might arguably not be governed by the prose of the principle contract.

The shipbuilding contract involved a complex bundle of responsibilities and obligations which tended to make a ruling that the accessory contract was governed by a different proper law commercially unattractive.

Making due allowance for the fact that the guarantee was negotiated and signed in Greece and taking account of the above factors, the court was satisfied that the proper law of the guarantee was English law.

As to whether it was a proper case for service out of the jurisdiction, the question was whether it could more satisfactorily be tried in Greece or England, in the interests of all the parties and for the ends of justice (see *Spiliada [1987] AC 460*).

Looking at the matter in the round, and applying that test, the English Court was the appropriate forum. The application was dismissed.

For Mitsubishi: Jonathan Mance QC and Julian Flaux (Waterhouse & Co).

For Mr Alafonzos: Christopher Carr QC and Steven Gee (Holman Fenwick & Willan).

By Rachel Davies
Barrister

THESE REPORTS are published in volume form with the full text of judgments. For subscription details contact Kluwer Law Publishing, Africa House, 68 Kingsway, London, WC2B 6BD. Telephone 01-831 0391

APPOINTMENTS

New chairman for Geevor Tin Mines

Mr Eric Grafton has joined the board of GEEVOR TIN MINES as chairman and chief executive, and Mr D.G. Upright has joined as a non-executive director. Mr Edward Nasser, the previous chairman, and Mr B.R. Nasser have resigned from the board.

*

Mr Terrel Wyatt, latterly chairman of Costain, becomes chairman of W.S. ATKINS, succeeding Mr John Jackson, who is retiring but will continue as an executive director.

*

Lord Mason of Barnsley has become chairman of the BARNSLEY BUSINESS AND INNOVATION CENTRE. Mr Ron Fisher, who was acting chairman, becomes deputy chairman.

*

Mr S.C. Mackay, has been appointed a director of ALEXANDER, HUGHES & ASSOCIATES UK.

*

Mr Philip Smith has been appointed investment director of the newly-formed company NM INVESTMENT MANAGEMENT, a wholly-owned subsidiary of NM UK.

*

Mr Jim Shelley, secretary to the Church Commissioners, has been appointed a non-executive director of SAVE & PROSPER GROUP. He is also to be a member of the securities investment and property investment committees, and of the board of Save & Prosper Securities.

*

Mr Brian Dixon has been promoted from general manager well control systems, Houston, to managing director (a new post) of NATIONAL OILWELL (UK), London. His responsibilities cover the UK, Europe, Africa, Middle East and the Soviet Union.

*

BANCA DEL GOTTARDO, a Lugano-based Swiss bank, has appointed Mr Stewart Platts as its London representative. He was a senior executive in the international banking division of National Westminster Bank. Banca del Gottardo's major shareholder is Sumitomo Bank.

*

Mr Peter Fletcher has been elected president of the RADIO, ELECTRICAL AND TELEVISION RETAILERS ASSOCIATION. He is managing director of Derwent Sound and Vision.

*

Mr David Shenton has been promoted to managing director of AUTO-RENTALS, Stroud, a trading division of Wincanton Vehicle Rentals. He was general manager.

*

Mr Mark Gibson has been appointed managing director of C C & P COMMUNICATIONS, employee communications arm of CC&P Group.

*

LEWIS WOOLF GRIPTIGHT, Birmingham, has promoted Mr Mike Jackson to the board as UK and European sales director. He was UK sales manager.

*

STOREHOUSE has appointed Ms Gayle Richards to the board of Mothercare UK as director of store operations. She was store operations controller.

*

Mr Peter Simms, who will shortly be retiring as deputy chief executive of Legal & General Group, will join the board of THE BRITISH LAND COMPANY on November 9.

*

Mr John H.H. Bradbury has been appointed a director of the ASSOCIATION OF FUTURES BROKERS AND DEALERS. He is buying director of United Biscuits (UK).

*

Mr Robin McEwen-King has been appointed chief executive of NIMTECH-NW, an industrial and academic network intended to provide technology transfer to science-based and growth industries in the north-west. He has been seconded from the Pilkington Group where he was a director of the electro-optics division and managing director of Pilkington Communication Systems, its fibre optics subsidiary.

*

Mr Frank Jones has been appointed chairman of TELFORD DEVELOPMENT CORPORATION to succeed Lord Northfield who retires on October 31. Mr Jones is chairman of Shropshire Health Authority.

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UK NEWS

Child benefits frozen in social security review

BY MICHAEL CASSELL, POLITICAL CORRESPONDENT

CHILD benefit payments to seven million families are to be frozen at present levels but Mr John Moore, the Secretary for Health and Social Security, yesterday moved to calm fears among Conservative Members of Parliament that he plans to scrap the benefit as part of plans to make social security expenditure more effective.

Mr Moore, who said that the government would still be spending an extra £320 a year on families with children, told the House of Commons that he had no specific proposals for changes in child benefit. But he said that "in view of its cost and ill-targeted nature," he would have to keep it constantly under review.

The minister also announced a 4.2 per cent increase in retirement pensions and contributory benefits from April next year - in line with the rise in the retail price index over the last year.

He told MPs that an increase in child benefit did not represent the best use of available resources and that he intended to concentrate help on those who most needed it, while controlling the overall growth in social security expenditure.


Mr John Moore: calming fears

His announcement drew immediate criticism from the Labour opposition. Mr Robin Cook, the party's health spokesman, claimed that the changes would deprive one million people of benefit altogether and leave four million others on existing levels of benefit.

It also provoked some anger on the Tory benches, with Sir Ian Gilmour, the MP for Chesham and Amersham, in the south-east of England, calling Mr Moore's action "thoroughly insensitive." Some MPs remain deeply suspicious of Mr Moore's longer-term intentions but the increase in family-oriented benefits appeared to dampen down a threatened revolt among Tory backbenchers.

The decision, which will save the Department of Health and Social Security £120m a year, means that child benefit will next year remain at £7.25 per child. Mr Moore claimed that to increase the benefit level would be to give greatest help to those already relatively well off and enjoying rising living standards, while three million poorer families would gain from the overall benefit uprating, irrespective of changes in child benefit.

Mr Moore also announced details of the Government's new system of income-related benefits, under which supplementary benefit will be replaced by the income support scheme, housing benefits will also be reshaped and family credit will supersede the family income supplement.

CBI is bullish on UK economy but calls for interest rates cut

BY PHILIP STEPHENS, ECONOMICS CORRESPONDENT AND HAZEL DUFFY

THE Confederation of British Industry said yesterday that the slump in world stock markets should have only a limited impact on manufacturing output, but called for a further cut in interest rates to underpin industrial confidence.

Reporting the results of its latest quarterly industrial trends survey, the CBI said that manufacturing orders and output were rising and exports remained strong. There were also indications that employment in manufacturing industry had begun to rise for the first time in 10 years.

Further confirmation of the strengthening UK economy came yesterday from the National Economic Development Office in its biennial report on British industrial performance measured against Britain's main competitors.

Mr John Cassels, Nedo director-general, introducing the report, said that the underlying performance of the economy was "more encouraging than for some time." But he warned that the period of improvement has been too short to be certain that British competitiveness is on a firm trend.

In particular, labour productivity in manufacturing has gone up by around 20 per cent since 1980, when it was at a 10-year low. Unit labour costs - a key factor in competitiveness - have improved against those of other countries, except the US, helped by the depreciation of sterling against European currencies.

But the report also points to the weak points in Britain's competitiveness, particularly investment, which could be exacerbated by the collapse in stock markets. Capital investment as a share in gross domestic product was lower than in the main competitor countries. The Nedo view is that if stock markets fall much below their January levels, investment might suffer.

Britain also scores less well than its competitors in two other areas important to overall competitiveness - spending on research and development, and the proportion of young people in higher education.

The CBI survey was completed before the collapse in stock markets began, but the CBI has concluded that the turmoil on the markets does not radically change the outlook. It is predicting that output will expand at an annual rate of 5.5 per cent in the fourth quarter of this year.

Mr David Wigglesworth, the chairman of the CBI's economic situation committee, said yesterday that industry would probably be hit by lower demand both at home at abroad. The wealth losses suffered by individuals as a result of lower equity prices were likely to be reflected in a slowdown in consumer spending. Companies also faced an increase in the cost of equity capital.

Nedo report details, Page 8; CBI trends, Page 10

Tories plan increased control over teacher pay

By David Brindle, Labour Correspondent

THE GOVERNMENT plans to take permanent control of teachers' pay in England and Wales by giving itself a majority on the management side of new negotiating machinery and by assuming powers to impose settlements.

Mr Kenneth Baker, Education Secretary, is also restricting next year's pay rise for the 400,000 teachers within a cash limit likely to mean overall increases of less than 5 per cent.

The two moves, announced yesterday, provoked an angry reaction from teachers' unions and local authority employers and renewed the prospect of disruption, only months after peace was restored following three years of intermittent strikes.

Mr Neil Fletcher, the Labour leader of local authority employers, said last night: "It is a disastrous recipe for continual conflicts of the kind we have seen in the past few years."

Mr Doug McAvoy, deputy general secretary of the National Union of Teachers, the biggest union involved, said of the cash limit: "We don't believe there is any group in society that would accept the sort of increase this will mean."

The Government's long-term plans for replacing the former Burnham Committee pay machinery were set out yesterday in a green paper, or discussion document. The paper proposes only one option - a statutory "teachers' negotiating group" on which the Education Secretary would exercise a majority vote on the management side.

In the event of failure to reach agreement, the minister would have the right to implement an award subject to formal approval by Parliament.

These proposals are being justified on the grounds that, after introduction of the proposed uniform business rate in 1990, local authorities will have discretion to raise only about 25 per cent of their income. Local authority associations are certain to challenge this logic strongly.

Meanwhile, the cash limit for next year's pay award has been set at £300m against a pay bill estimated to be in excess of £6bn - a figure that implies a pay assumption of only 4 per cent for the public sector as a whole in 1988-89.

Rates accounts 'to increase by 4% next year'

BY RALPH ATKINS

RATE BILLS should increase by about 4 per cent next year if local councils keep spending constant in real terms but allow extra for education and the police, the Government said yesterday.

Details of grants for 1988-89, announced by the Department of Environment, assume councils will increase expenditure broadly in line with inflation. The proposals are designed to bring relative stability to the local government grant system in the run-up to introducing the community charge, or poll tax, from 1990.

However, extra funds will be provided to help towards an 8 per cent increase in education spending and 11 per cent for the police.

The Government estimates this would mean council spending on education could increase by £1.02bn, but a large part of this will fund a pay rise for teachers agreed last year. Spending on police would increase by about £330m.

The net effect will be a small shift in resources towards shire counties and away from district councils. The share of total government grants taken by the London and metropolitan authorities will remain about the same as for the current financial year.

The proposals are set out in a document being sent to local authority associations and councils for comments.

The announcement yesterday follows a statement in July by Mr Nicholas Ridley, Environment Secretary, to the House of Commons on the total level of government grant for local authorities. This set a planning total for council spending of £27.54bn - a 7 per cent increase on 1987-88.

In practice, authorities are spending more than the Government assumed. This means that, by setting grants to allow both rates and council spending to rise at about 4 per cent, the Government is underwriting some overspending this year.

The Government believes that the greater use of competitive tendering and efficiency savings could mean rate bills would increase by less than the rate of inflation.

For 1988/89, it has tightened the safety nets built into the grant system to dampen large changes in rate bills when authorities increase or cut expenditure by substantial amounts.

Record month for unit trust investment

By Nick Bunker

INVESTORS poured £1.68bn into unit trusts last month, according to figures released yesterday by the Unit Trust Association.

Even after allowing for repurchases of £523m, net new investment in unit trusts reached a record £1.16bn, five times bigger than the September 1986 figure of £235m.

There was also a leap in the number of unit holders' accounts, which rose a record 329,000 to 4.75m, nearly double the previous record increase

The association said there was no indication that the sharp falls in stock markets in the last two weeks had prompted investors to begin pulling out of unit trusts.

Mr Bill Stuttaford, the chairman, said: "Anecdotal evidence from unit trust management companies indicates that widespread selling has not taken place."

Most unit holders appeared to have accepted that unit trusts should be a long-term investment," he said.

However, preliminary estimates from the association suggest that the last 10 days of stock market volatility have cut the value of unit trust funds from £50.3bn on October 1 to about £40bn.

NATIONAL ECONOMIC DEVELOPMENT OFFICE

REPORT BY HAZEL DUFFY

Time and key areas mar industry's advance

THE MESSAGE of the National Economic Development Office's report on industrial performance, published yesterday, was that industry had made strides in increasing its competitiveness in international markets, notably in improving labour productivity, but that:

- Improvement came over too short a period to be able to say the corner had definitely been turned
- Britain lagged behind competitors in many key areas, such as living standards and numbers in work.

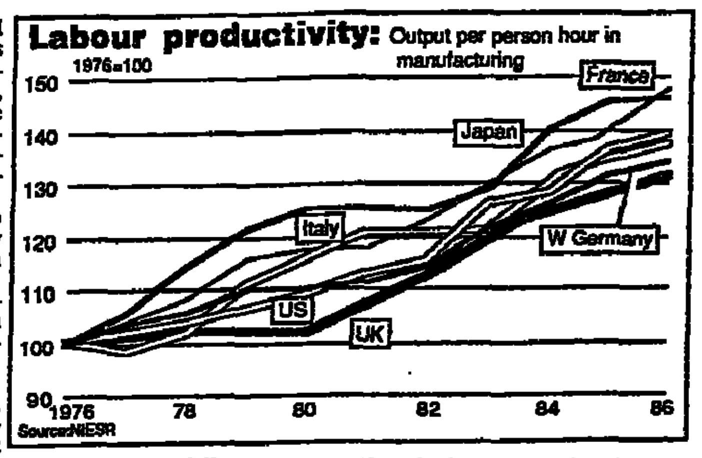
The study compiles published statistical data on international comparisons and is made by Nedo every two years. Nedo sees it as valuable in drawing attention to factors contributing to industrial competitiveness.

Mr John Cassels, Nedo director general, emphasised four main factors as moving in Britain's favour and giving rise to the economy's underlying performance being "more encouraging than for some time:"

- Improvement in labour productivity.
- Control of inflation.
- Rising profitability making higher investment possible.
- The favourable level at which sterling stood against other European currencies, particularly the DM.

However, the UK compared less well in other factors of competitiveness:

- Investment, which could be adversely affected if stock markets continue to fall.
- Spending on research and development.
- The proportion of the young population in higher education.



The study shows better performance to be most marked in the past two years but that this - and the fact other countries have sometimes improved performance faster - has been too short a time to pull the economy up to their level on several counts. For example:

- The UK standard of living, measured by gross domestic product per head, has risen by about 60 per cent in the past 20 years; however, Japan, France and West Germany all overtook the UK in this period.
- The UK was less successful than competitors in providing jobs in the past decade. Although the contraction in employment in the early-1980s was reversed and the level has been recovering since 1983, it is still short of the peak in 1979. By contrast the US experienced relatively high growth throughout, with Japan and Italy expanding moderately.

Labour productivity is where the most marked improvement in competitiveness relative to other countries has emerged. The study uses statistics from manufacturing only. Although not representative of the economy as a whole, it is considered a useful international indicator because about two-thirds of UK visible exports are currently in manufactured goods.

Money wages, though slowing since 1980, have tended to rise faster in the past 10 years than in the US, Japan and West Germany, at about the same rate as in France and much slower than in Italy.

These have to be set against productivity: this grew relatively fast from the end of 1980 as output recovered and employment fell rapidly but it fell back in 1984 and 1985 before rising rapidly last year.

Unit labour costs, which combine hourly labour costs with productivity estimates, have improved since 1980 relative to France and Italy, measured in local currency, but not against the US, West Germany and Japan. The rise from late-1983 appeared to peak in the first quarter of last year.

However, exchange rates play a part in comparative unit labour costs. In common currency, using exchange rates, the UK became much less competitive in the late-1970s and early-1980s but this was partly reversed more recently, particularly against the US although the position changed again with weakening of the dollar.

Relative productivity improved from 1980. Combined with the depreciating exchange rate and slower growth of relative labour costs, competitiveness overall has improved.

On the other hand, productivity of capital, that is the amount of output produced by each unit of capital, fell in the economy as a whole between 1976 and last year. The same was true of other countries but the fall was less sharp.

Capacity utilisation, which measures the effectiveness of the stock of fixed capital, is back to 1979 levels in the UK only.

While aspects of UK industrial performance improved, helped by exchange rates, in others the traumas of the recession were such that the climb back has still not reached pre-recession levels. Analysing the performance on a sectoral basis gives a mixed picture:

- In about two-thirds of the sectors - manufacturing and services - productivity improved.
- On the basis of real average annual growth in value-added, the UK achieved faster growth in agriculture and energy compared with its main European competitors but manufacturing industries trailed behind.
- Chemicals, particularly pharmaceuticals, office-machinery and electrical goods, and rubber and plastics, are among UK rapid-growth industries.
- Service industries saw growth in each country but the UK rate of increase has not matched that of the others except in banking, finance and insurance, where it exceeds Italy and West Germany.

In this sector, and in construction and chemicals, the UK performance in value-added per employee leads other countries.

British Industrial Performance and International Competitiveness over Recent Years. 1987 Edition; Nedo, Millbank Tower, Millbank, London SW1P 4QX; £12.50.

Parnes to repay £2m to Guinness

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT

GUINNESS is to be repaid about £2m by Mr Anthony Parnes, the stockbroker under arrest in the US awaiting extradition proceedings by Fraud Squad detectives investigating the Guinness affair.

The payment is part of an agreement to settle the High Court action in which Guinness claimed £3.69m from Mr Parnes and obtained temporary injunctions freezing his English assets. The claim related to payments made by Guinness during its bid for Distillers last year.

In a statement issued yesterday, Mr Parnes' London solicitors, Berwin Leighton, announced that "agreement has been reached with Guinness for repayment of approximately £2m related to invoices submitted in 1986."

"Mr Parnes has retained a significant balance in respect of fees earned for work undertaken during the Distillers bid. This agreement results from many months of negotiation between Mr Parnes and Guinness and is in no way related to Mr Parnes' arrest in the US upon charges which he steadfastly denies. The agreement was almost finalised when Mr Parnes was arrested," Berwin Leighton said.

The announcement came within hours of the High Court being told that Guinness no longer needed the temporary orders it had obtained against Mr Parnes. On October 3, the company was granted injunctions freezing Mr Parnes' assets up to £3.69m and requiring him to disclose the whereabouts of his assets and the £3.69m. Last Friday the court was told that Guinness was very close to settlement with Mr Parnes and wanted the freezing orders continued only until yesterday.

Mr Richard Field, QC for Guinness, told Mr Justice Walton yesterday that, as a result of out of court discussions, Guinness no longer needed the orders.

The freezing orders lapsed and the judge discharged the disclosure orders.

Guinness issued a writ against Mr Parnes on October 5. It claimed £3.35m paid by Guinness to Pictet et Cie, a Geneva bank, on July 1, 1986, and £340,000 paid at about the same time by Compagnie Internationale de Finance et de Commerce, a Swiss company, for Mr Parnes' benefit. The £340,000 was, Guinness claimed, paid back to Mr Parnes out of £1.94m paid to CIFCO by Guinness.

EDS wins special licence to manage voice traffic

BY DAVID THOMAS

THE DEREGULATION of telecommunications in Britain moves forward with the award of a special licence to Electronic Data Systems, the computer services subsidiary of General Motors of the US, allowing it to manage other companies' private voice traffic over a common network.

This is similar to previous moves by the Trade and Industry Department encouraging companies to manage third parties' data requirements over a common network.

The department has not previously extended the principle to voice traffic. Acting on the advice of the Office of Telecommunications, the industry's regulatory body, it is now likely to allow other organisations to follow EDS's lead.

Explaining the significance of the new licence, Mr John Wishney, chief executive of EDS's communications business in Britain, said: "Before, we had to build different voice solutions for each client, regardless of whether we could take a common data approach to them."

Under the new licence, EDS will be able to lease private circuits from BT or Mercury and then run several companies' voice and data traffic over those circuits using common equipment such as exchanges.

The licence imposes two restrictions: the first means EDS has to maintain some technical separations between different customers' voice traffic as it is carried over its network.

The second restricts the service to each companies' internal traffic: EDS cannot use one network to send voice traffic between its various customers.

Manchester authorities unite to secure EC funds

BY IAN HAMILTON FAZEY, NORTHERN CORRESPONDENT

THREE local authorities which cover the urban core of Greater Manchester yesterday joined forces to apply for special European Community status to help pay for economic regeneration.

The inner city overlaps parts of Manchester, Salford and Trafford authorities, which want £182m from the EC as part of a £637m programme over the next five years.

The authorities, traditionally rivals with differing approaches to urban problems, have renamed the urban core MST after the three authorities and, backed by the Government, are asking the EC for integrated operations status.

This would enable economic development to be funded on an overall basis, rather than project by project, to enable better co-ordination. This in turn would make for easier access to EC funding.

The Greater Manchester scheme would be unique because of its spread across three borough boundaries. The MST area covers 340,000 people, with unemployment at 23.8 per cent, rising to 70 per cent among black adult men.

The application costs the proposed developments at £240m from the private sector, £165m from central Government, £50m from local authorities and £182m from the EC.

The scheme would involve six action programmes covering regeneration of old industrial areas, tourism, business development and support, workforce training and better communications, including a light rapid transit system.

- Britain is to receive £94.7m in grants from the European Regional Development Fund, the European Commission announced yesterday.

Almost £45m is allocated to Northern Ireland. The package includes the largest single grant given to the province - an award of £23.8m to help finance the conversion of Kilroot power station near Carrickfergus from oil firing to dual solid fuel and oil.

Men and Matters, Page 24

National Bus privatisation to net over £300m

BY KEVIN BROWN, TRANSPORT CORRESPONDENT

THE PRIVATISATION of the National Bus Company will net well over £300m for the Treasury - more than three times initial estimates by City analysts, the company said yesterday.

NBC's annual report and accounts, published yesterday, says receipts will amount to £306m by the end of March, when the company is expected to be wound up.

The accounts forecast a surplus of £86.3m over the book value of NBC's assets (£267m). This is after taking account of a pension fund surplus of £42m, releasing a provision of £11m for capital gains tax, and deducting privatisation expenses of £5.7m.

The accounts are understood to take a conservative view of the likely receipts from assets yet to be sold, in order to avoid embarrassing ministers who are accountable to Parliament for the privatisation process.

They also omit probable proceeds of around £15m over the next decade from property charges. Internal estimates of the likely level of proceeds are believed to be around £340m.

NBC said 50 of its 72 subsidiaries had been sold, and a further 16 sales were awaiting approval from Mr Paul Channon, the Transport Secretary.

Bids have been received for three of the six remaining companies, and one - Victoria coach station - has been transferred by the Government to London Regional Transport because of an impending public inquiry into the provision of coach terminals in the capital.

Deals are expected to be struck for the sale of all the outstanding subsidiaries before the end of the year, and all sales are likely to be completed by the end of January.

This is 12 months in advance of the timetable laid down in the 1985 Transport Act, which provided the break-up and privatisation of NBC, and the introduction of deregulation in the bus industry, which took effect in October 1986.

Mr Rodney Lund, chairman, said he was "very pleased" with the proceeds of the sales, especially in view of the difficulties of decentralising and restructuring the company to a very tight timescale.

He said the pace of change had been without parallel for a company of NBC's size, and had inevitably been complicated by the need to adapt to deregulation at the same time.

Around two-thirds of NBC's subsidiaries are expected to be sold to management buy-out consortia, including the sale of Provincial Bus, based in Hampshire, to an Employee Share Ownership Plan - only the second such scheme established in the UK.

M and S to open Hong Kong store next year

By David Churchill

MARKS AND SPENCER, Britain's biggest retailer, is to open its first store in Hong Kong next spring, which could be the first of several in the colony. The move is part of the company's expansion plans for the Far East, which will mean greater sourcing of supplies from the region.

The store opening is a departure from Marks' previous policy of entering into supply arrangements with local stores.

Marks has had a presence in Hong Kong for several years through supplying its St Michael products to Dodwell Stores, a local company. However, earlier this year it stopped supplying Dodwell in advance of opening its new stores. Dodwell subsequently entered into an agreement with British Home Stores.

The new Marks store in Hong Kong will be based in the Ocean Centre, Kowloon. It will be 12,300 sq ft in size and sell a range of clothing, toiletries and foods.

Further stores in Hong Kong, including one on Hong Kong Island, are likely to be opened if the first one proves a success.

Although most products in the new store are likely to be British, the company plans buying more locally-produced goods.

Personal computers set to outstrip users

BY ALAN CANE

PROFESSIONAL personal computers are set to take a massive leap forward in power through new silicon chips and advanced operating systems, but neither manufacturers or their customers are ready to make the best use of the new machines.

This theme recurred during the fifth Financial Times professional personal computer conference, which opened in London yesterday.

FT CONFERENCE
PROFESSIONAL PERSONAL COMPUTERS

Mr Jim Manzi, president of Lotus Development Corporation, which markets the best-selling spreadsheet 1-2-3, warned that the industry could be damaged by misunderstandings of the results to be expected from computer technology.

The service industries were spending 40 per cent of their capital budgets on computers, chiefly personal computers, yet senior executives complained that white-collar productivity remained flat.

It was the result of a failure to understand the nature of productivity: "What is productivity? Will we recognise it when we see it?" he asked, adding that vendors and customers alike should work towards an adequate definition.

Next week, he said, Lotus would announce a "personal information manager" software which would store information and relate it automatically to other stored data.

Mr Brian Utley, group director of work stations for IBM Europe, said that OS/2, the operating system it was developing with Microsoft Corporation for its Personal System/2 (PS/2) microcomputer family, was almost ready for market.

It had been tested for about a year and was now being used by 1,000 users worldwide. The results of the tests had been very gratifying to IBM, he said, and the first customers for the system could receive their copies this year.

Mr Jeremy Butler, vice president international operations for Microsoft, said the new operating system would give four principal benefits.

- The ability to run several different applications programs simultaneously.
- The ability to connect together thousands of personal computers to share documents and files.
- The ability to handle efficiently applications such as order entry without which a company could not operate.
- Integration of the personal computer into the company's management information system: "Because the new operating system user interface is compliant with IBM's Systems Applications Architecture, we can expect that all applications in the IBM compatible world - whether PC or mainframe - will eventually have a consistent look and feel."

Mr Eckhard Pfeiffer, senior vice president, international operations for the Compaq Corporation, accused IBM of developing PS/2 in its own interests rather than that of its customers: "PS/2 is a thinly veiled attempt by IBM to control its customers whereas the rest of us place priority on responding to user needs."

He said the Intel 80386 microprocessor chip which powers both IBM's and Compaq's most powerful machines was "the breakthrough technology that gives the personal computer the critical mass to live up to its true potential."

Mr Giancarlo Bisone, director of marketing and product planning at Olivetti, said the success of the new generation of personal computer typified by IBM's PS/2 would be guaranteed if it maintained the "open architecture" of the original IBM PC - which made it easy for third parties to develop compatible software and hardware - and if it obeyed accepted hardware and software standards.

He said that in 1987 the large accounts had switched towards PCs based on the Intel 80286 microprocessor; in 1988 and beyond, the 80386-based machines would be preferred because of the computing power needed to handle artificial intelligence and detailed graphics.

Mr Thomas Vanderslice, chairman of Apollo Computer, said factory, high powered workstation would "obsolete the minicomputer as we know it."

He said workstations would realise the dream of the networked corporation. Today's personal computer user wanted a desktop system, he argued, that goes beyond localised one-on-one tasks to effortless interaction with other users and other computing sources.

Mr Robert Aydabirian, general manager of the Grenoble Personal Computer Division, Hewlett Packard, France, illustrated the advantages to companies of "desktop publishing", professional quality printed matter produced using a personal computer driving a laser printer.

A 16-page newsletter conventionally took between nine and 14 days to produce at a cost of $1,500-$2,000, he said. Using desk top publishing techniques it would take three or four days and cost $100-$150.

Mr Keith Warburton, manager, business products for Amstrad, emphasised that Amstrad pioneered marketing and distribution methods, not computer technology. He said low cost computers had opened opportunities for people in all walks of life to seek to apply modern technology to their problems. He was sharply critical of the computer industry for its failure to make its products easier for ordinary people to use.

Mobile radio service launched

By David Thomas

A PRIVATE mobile radio service was launched yesterday with the announcement of its first customers, including Bass, the brewing and leisure group.

Last year, the Government chose GEC Telecommunications and a consortium led by Philips Telecommunications to operate two new private mobile radio networks on frequencies known as Band III.

Band III offers advantages over existing private mobile radio because its customers will be able to share the networks, thereby saving on some equipment and running costs.

The Philips consortium, which is calling itself Band Three Radio, yesterday launched its service, which initially covers London, the south-east, the south coast, the Midlands, Yorkshire and the north-west.

Mr Andrew Robb, managing director of Band Three Radio, said it was aiming to cover more than 40 per cent of the population by next March and to be national in 1989-90.

GEC will not launch its service until the start of next year. Bass, Band Three Radio's first big customer, is taking 100 mobile sets for its service technicians first in the Sheffield area and then in London.

Television advertisers given extra peak-time slot

BY RAYMOND SNODDY

THE Independent Broadcasting Authority has given advertisers an extra half-minute of peak-time advertising an hour on independent television and wants to abolish advertising share schemes from the start of next year.

The Incorporated Society of British Advertisers, which represents advertisers, this year said share schemes operated by many ITV companies were uncompetitive and illegal.

Under the share system many ITV companies have tried to encourage advertisers to spend a proportion of their advertising budget which matches the ITV companies' coverage of homes. Advertisers spending more were given discounts, those spending less tended to receive worse slots.

The authority now accepts the view of its Advertising Liaison Committee, which represents advertisers, agencies and television companies, that share schemes act "as an artificially rigid framework for negotiation." It wants to see share schemes removed from rate-cards from January 1.

Mr Kenneth Miles, ISBA director, said yesterday: "We are delighted that at last the IBA has accepted our view that share schemes are a bad thing." He believes that only the threat to take the issue to the Office of Fair Trading produced results.

The extra half-minute an hour in prime time - that is between 6pm and 11pm - is designed to soften the rapid rise in airtime costs. Airtime inflation has been running well above 20 per cent a year.

Lord Thomson, IBA chairman, said yesterday he was conscious of the problems being experienced by advertisers. He was satisfied "a limited increase on the scale proposed could be achieved without adverse effect on programme quality and enjoyment."

The total amount of daytime and evening advertising allowed would be unchanged, at an average of seven minutes an hour between 9.25am and midnight.

Mr Miles said the extra prime time was a rise of about between 6 per cent and 7 per cent. He said this should limit the rise in the cost of advertising time.

Initially the extra half-minute will apply to ITV only but the decision applies in principle also to Channel 4, subject to more talks on scheduling.

The authority said it would next review the amount of permissible advertising when present ITV contracts run out at the end of 1992.

Boost for Welsh industry

BY ANTHONY MORETON, WELSH CORRESPONDENT

THE Land Authority for Wales has switched the thrust of its work from housing to industry and commerce, Mr Geoffrey Inkin, its chairman, said yesterday.

Introducing its annual report, he said three important development projects in Wales could not have gone ahead at the pace they did without the assistance of the authority. They were: British Coal's proposed £90m superpit at Margam, the Hotpoint factory at Kinmel Park, north Wales and the Rockwell factory outside Bridgend.

Although the authority had sold sufficient land last year to provide between 800 and 900 houses it had also let out industrial and commercial land on which more than 1,100 jobs had been created. Some 120 acres are being brought into development, which is expected to generate private investment of between £60m and £70m.

The land authority was set up by statute in 1975 and is the only body of its kind in the UK. It exists to make land available which might otherwise have remained unused or sterile.

"We can bring land onto the market much more quickly than in any other way," Mr Inkin said, "and speed is often of the essence in preparing for a development."

The authority made a profit of almost £1.5m last year after tax and interest on a record income of £10.2m.

The authority is now involved in developing Cardiff's East Bute Dock, which has been renamed Atlantic Wharf, assisting in what Mr Inkin called "the important role of urban regeneration."

"By its ability to set terms and acquire land in the dock, the authority has contributed significantly to this development. Most of the site has been sold to developers and the remainder will go to them in the current financial year." The authority has also been actively involved in projects in Rhyl, Llandudno, Abergavenny, Newtown, Caerphilly and the industrial valleys of South Wales.

Land Authority for Wales. Annual Report 1986-7. Land Authority, Old Custom House, Custom House Street, Cardiff. Free.

Assurance plans attacked

BY NICK BUNKER

BRITAIN'S LIFE assurance companies yesterday fired a fresh salvo of criticisms at the industry's new investor protection rules and said that, in some respects, the rules were "inappropriate, legalistic and at times almost incomprehensible."

The criticisms are contained in a long memorandum published by the Association of British Insurers, which represents more than 400 insurance companies. The memorandum includes nearly 30 pages of detailed comments on the draft rule book published by the Life Assurance and Unit Trust Regulatory Organisation, the industry's new watchdog body.

The ABI said a good deal of work still needed to be done before Lautro's rules could be considered acceptable.

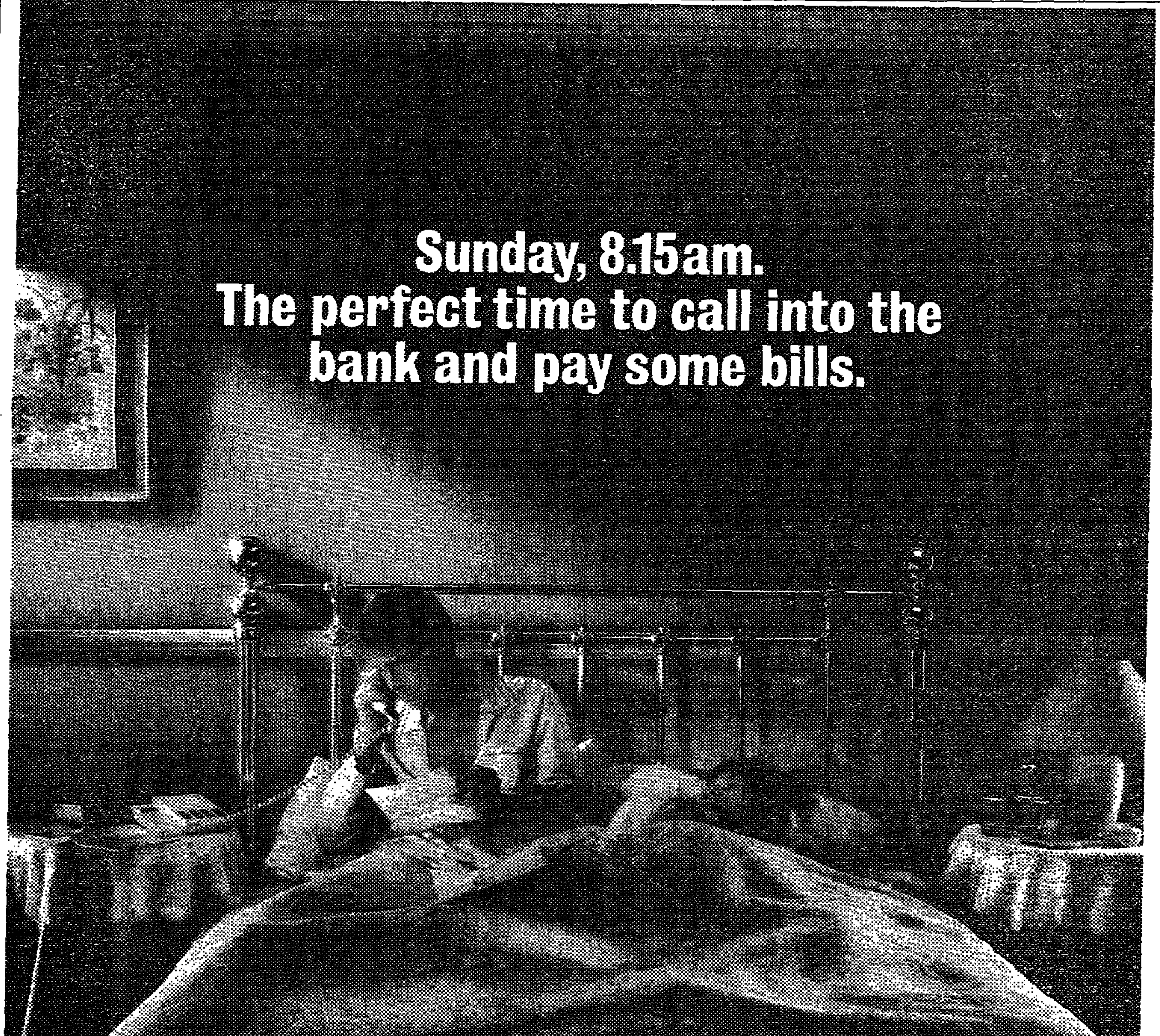
It is urging the Government and the Securities and Investments Board to delay until next July the implementation of all the new rules, which are part of the regulatory framework required under the 1986 Financial Services Act.

At the moment, some of the rules are due to come into force in April and some on July 1.

The ABI said some parts of the Lautro rules "go down into fine detail to an unnecessary extent." In particular, they would require companies to produce in their sales literature "a mass of words and figures more likely to confuse the policyholder than to enlighten."

The ABI also argues that Lautro has been acting outside its jurisdiction by trying to regulate the marketing of financial products which fall outside its own definition of investments.

Lautro was also going too far by trying to influence the way companies remunerated their salesmen and priced their policies, the ABI added.



EC venture capital funds grow by 39%

BY CHARLES BATCHELOR

THE GROWTH of the European venture capital industry continued last year with a 39 per cent increase to Ecu10bn (£6.927bn) in the amount of funds invested or available for investment in unquoted companies.

The venture capital industry in the European Community is now nearly half as big as in the US, the original home of this method of company financing, according to the European Venture Capital Association in its yearbook published yesterday.

Britain still dominates the European scene with Ecu4.7bn of funds, although the increase in money available slowed to 27 per cent from 43 per cent the year before. For the first time, Britain accounted for less than half the total amount of funds available in Europe.

Italy showed the fastest rate of growth - of 103 per cent on 1985, although at Ecu499m the industry in that country is still small. Belgium increased the availability of funds by 64 per cent and Germany by 61 per cent.

After Britain, the two most highly developed venture capital markets are the Netherlands, where the venture capital pool amounts to Ecu1.18bn and France, with Ecu1.14bn.

A breakdown of funds by the stage at which they are invested showed a decline in seed capital and early stage investments from 25.4 per cent of the total to 23.3 per cent. Funds invested in management buy-outs rose slightly, from 22.1 to 23 per cent.

The syndication of venture capital deals across national boundaries increased and accounted for 11.2 per cent of investments made compared with 7 per cent in 1985. The EC recently decided however to provide just Ecu1.9m this year to fund the Venture Consort scheme, aimed at promoting cross-border deals. This compared with the Ecu3.3m provided the year before and the Ecu3.5m the association had been seeking.

Although more funds were available for investment last year, there was not a similar increase in the money invested, so the surplus of unspent funds rose to Ecu2.28bn from Ecu1.41bn the year before.

This overhang must be reduced or institutional investors will look for other outlets for their funds, Mr Michiel de Haan, the association's chairman, warned.

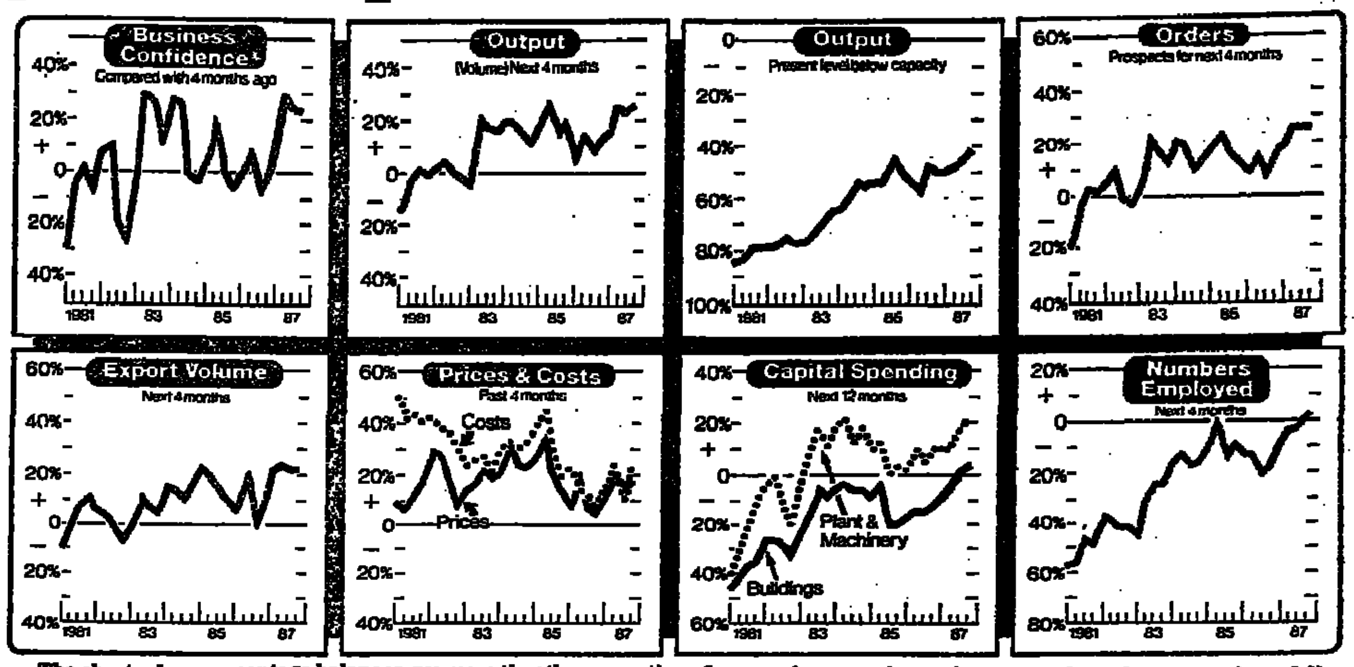
Peat Marwick McLintock, the accountancy firm which compiled the yearbook, warned that venture capital was developing unevenly throughout Europe. Some countries lagged because of a lack of government understanding, while others showed signs of overheating, with too many venture capitalists chasing too few deals.

Venture Capital in Europe 1987. Peat Marwick McLintock. £20.

CBI INDUSTRIAL TRENDS SURVEY

Strong growth reported in manufacturing output

BY RALPH ATKINS



The charts show percentage balances, representing the proportion of companies reporting an increase, minus those reporting a fall.

MANUFACTURING output is growing strongly, falls in employment have been halted and there are few signs of the economy over-heating in the next few months.

The Confederation of British Industry's latest quarterly industrial trends survey covers 1,358 companies questioned before the fall in world stock markets. It shows business confidence improved for the fourth consecutive quarter in the three months to September.

The CBI warned yesterday that falling share prices would probably hit business confidence in the last quarter of 1987 and was also likely to affect British exports to the US and reduce consumer spending. Mr David Wrigglesworth, chairman of the CBI's economic situation committee, said these fears should not be exaggerated, however: "The underlying health of the economy remains good."

The survey shows demand for manufacturing products continues to grow and order books are reported to be above normal by more companies than at any time since April, 1977. CBI economists predict manufacturing output will increase at an annual rate of 5.5 per cent in the fourth quarter of 1987.

The survey shows little change in the number of companies whose output was constrained by capacity shortages. About 85 per cent of companies reported their capacity was at least adequate to meet expected demand.

Raw material costs increased faster than manufacturers expected but producer price rises were tempered by competitive pressures. However, some pick-up in manufacturing output prices is expected in the last three months of the year.

Employment. A balance of +4 per cent of companies said the number they employed had increased in the last four months. This is the first positive balance since January 1977 and reflects official figures showing rising employment in manufacturing.

The survey shows the trend is spread through all industrial sectors, although capital goods industries did not register a positive balance. The largest companies, employing more than 5,000, continue to shed jobs but at a lower rate than reported in the previous survey.

Business confidence. A balance of +23 per cent of companies said they were more confident about the general business situation than they were four months ago, compared with a balance of +25 per cent in July.

Among the industrial sectors, the CBI reports a levelling of optimism in food, drink and tobacco companies but a strong upward trend in confidence in motor vehicle, paper, printing and publishing companies.

Orders and output. The survey shows the volume of orders has grown in all sectors with particularly strong increases experienced by metal products, paper, printing and publishing, motor vehicles and other transport equipment sectors.

In total, a balance of +25 per cent reported an increase in orders on the previous four months and the same balance said they expected a rise in orders in the next four months.

The rate of growth of output volume remained strong in the third quarter - repeating steady increases reported in the last two quarterly surveys. A balance of +19 per cent of companies said their output had risen in the past four months compared with 23 per cent in July.

A balance of +25 per cent expect an increase in output in the next four months.

Capacity constraints. A shortage of orders or sales remains the predominant constraint on output, although the number of companies citing it as a factor likely to affect output in the next four months dropped from 69 per cent in July to 65 per cent in the latest survey.

Plant capacity remained the second most frequently mentioned constraint, with the number reporting it as a restriction rising from 22 per cent in July, to 24 per cent in October.

The number of companies working below capacity fell from 45 per cent in July to 41 per cent in October.

The CBI says there is no evidence in the survey that skilled labour shortages are getting worse. It is cited as a constraint on future capacity by 19 per cent of companies compared with 18 per cent in July.

Costs and prices. A slowdown of the rate of increase of the unit costs of manufacturing industry, reported in the last quarterly survey, has been largely reversed. A balance of +22 per cent of companies noted an upward trend compared with +10 per cent in the July survey.

This rise reflected rising raw material and fuel costs and a slight rise in labour costs which increased in spite of a rise in productivity.

A balance of +18 per cent of companies said they had increased prices in the last four months compared with +16 per cent in July. A balance of +23 per cent expect to increase prices in the next four months, suggesting the effect of the upturn in costs has yet to be fully realised in higher prices.

Capital expenditure. A balance of +17 per cent of companies expect to spend more on plant and machinery in the next 12 months than in the last 12 months.

Exports. The survey shows the rate of increase in new export orders fell after a sharp rise in the second quarter. A balance of +9 per cent said exports had been above normal in the previous four months.

A balance of +17 per cent expect an above normal level of export orders in the next four months which, the CBI says, indicates export growth should accelerate by the end of the year.

CBI Quarterly Industrial Trends Survey, October 1987. CBI Economic Trends Department, Centre Point, 103 New Oxford Street, London, WC1 1DU. £104 a year for members, £156 for non-members.

New-car demand 'weaker next year'

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

UK DEMAND for new cars would be significantly weaker next year because of world stock-market turmoil, Mr Garyl Rhys, Professor of Motor Industry Economics, University College Cardiff, said yesterday.

He said that before share prices collapsed, the university's forecasting team had expected domestic car registrations to reach a record level of more than 2m next year; now it was forecasting 1.75m and the figure "could go below that."

This was because the expectations of businesses and individuals had been cut in the wake of the crash in equities' value.

He said that if there were a 1929-style world slump following the stock-market upheavals, there would be a bloodletting among world vehicle-makers.

The car-price wars, even without a collapse in demand, would be renewed in Europe in the 1990s.

At that time there was the possibility of substantial car imports to Europe from Japanese-owned factories in the US which could cause further structural changes to the European motor industry.

Mr Rhys was speaking at a Motorfair dinner organised by Herondrive, the car contract hire and leasing company, now part of the Cowie Group.

He said the expected fall in car demand might provide the Chancellor with the chance to abolish the special 10 per cent car tax.

However, another speaker, Mr Rob Golding, motor industry analyst at Warburg Securities, said that if the 10 per cent tax were removed overnight, it would have a cataclysmic impact on the distribution business because of the recent fast expansion of car-leasing. Leasing companies would face a sudden 10 per cent cut in their fleets' values.

Both speakers said that up to last week personal and corporate confidence were strong and record UK car markets seemed sustainable. But that was no longer the case.

Mr Golding said one thing only was certain: "Whether or not the market recovers and whether or not car sales fall, the price of motor shares, relative to the market as a whole, will drop."

WORLDWIDE vehicle sales by Rolls-Royce Motor Cars, the Vickers subsidiary, rose by 6 per cent in the first nine months of this year compared with the same period of 1986, from 1,890 to 2,0[illegible] vehicles.

The Bentley marque, which the company began promoting again during the past three years, contributed 32 per cent of the total compared with 26 per cent in the same months last year.

The most notable improvement in total car sales was in the US where sales rose by more than 10 per cent, from 732 to 8[illegible].

In the UK Rolls-Royce and Bentley registrations were up from 666 to 678 while sales in the rest of Europe improved from 248 to 254.

Motor trade bill planned

BY JOHN GRIFFITHS

THE Motor Agents Association intends to promote a bill which would make it unpractical for the unacceptable fringe of the motor trade to continue in business, according to Mr Alan Clark, the association's president.

Mr Clark yesterday outlined the intended content of the private member's bill the association first said it would promote at the beginning of this month. This followed yet another fierce attack on alleged motor trade malpractice by trading standards officers.

The bill would be designed, among other things, to fight "clocking" -the winding-back of mileometers - by requiring mileages to be recorded at annual vehicle re-licencing; and to oblige insurance companies to identify written-off vehicles and the reasons why they were written off.

The association, which represents about 13,000 retail motor trade outlets in the UK, has previously said that it accepted that "there is undoubtedly a most undesirable element at the wrong end of the motor trade."

In spite of this, said Mr Clark, "recent consumer surveys have shown that up to 91 per cent of customers were positively satisfied with their personal experience of the motor trade."

Sunday Times to expand

BY RAYMOND SNODDY

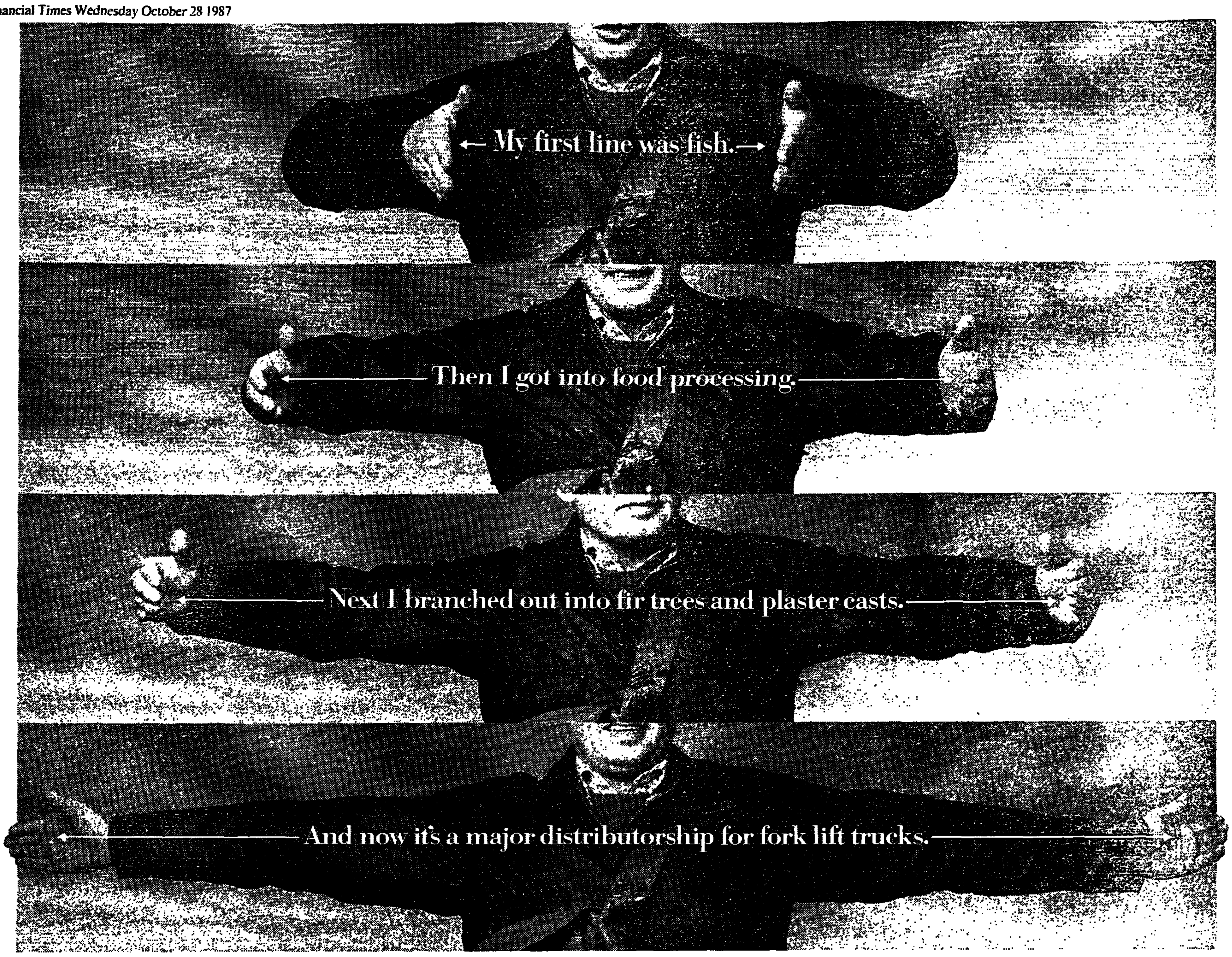
THE SUNDAY TIMES is planning to launch an additional two sections in January.

Mr Andrew Neil, editor, said yesterday the paper would be launching a weekly 24-page book section in tabloid form and a 16-page broadsheet travel section from January 10. The seven section paper will regularly be around 160 pages.

"We might hit 200 pages in 1988," said Mr Neil, who has wanted to turn the paper into a European equivalent of the New York Times.

The two new sections, involving an investment of several million pounds, will be printed at News International's presses at Wapping in the middle of the week and inserted by newsagents into the main paper.

Mr Neil conceded there had been some reader reaction to the growing size of the Sunday Times but added that people could buy other smaller papers if they wanted to.



A fisherman's tale.

(Or how IBM helped John Hughes deal with rapid expansion).

If you run a small business, you'll realise that once your company starts to grow, so does the amount of tedious administrative work.

In the case of John Hughes, his company, the Hughes Food Group, has had a spectacular growth rate. In two years it has expanded to 24 companies, its activities ranging from cold storage of fish, fir trees and plaster casts to industrial machinery manufacture.

With such a rapid growth rate, a personal computing system was essential.

John Hughes found IBM an "excellent choice." In his opinion they not only provide the most appropriate range of equipment, they also offer all the back-up and support the company needs.

More importantly they offer long term security since, in John's words, "They'll still be around for years to come."

For these reasons, he spoke to his local IBM Authorised Dealer, and together they developed the most suitable system for his group.

Firstly, the computerised accounting system took care of time-consuming work such as stock control, invoicing, payroll and VAT returns, giving John more time for more important things like investigating new markets.

Secondly, as he says, "you can't grow at a fast rate unless you've got overall control," and with his computer system, he has central financial control of all his companies from Aberdeen to Bristol.

John admits that he's not particularly interested in the technicalities of computers. He wants a reliable system that can get on with the job without any fuss, so his dealer keeps in constant contact.

Each time John acquires a new company, the dealer goes there to install a computer system that is compatible with the one at head office.

So no matter how fast John Hughes' group grows, IBM will always be there to help him.

Write to us for our two free booklets. They explain in plain English, how IBM and its dealers can help sort out not only your accounts but also your word processing needs.

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IBM

BP underwriters given cold shoulder by MPs

BY IVOR OWEN

A VIRTUALLY unanimous view emerged in the Commons last night that the eleventh-hour bid by the UK underwriters to halt the £7.2bn offer of shares in BP should be rejected.

While **Mr Nigel Lawson**, the Chancellor of the Exchequer, gave repeated assurances that no final decision would be taken until the Treasury had discharged its contractual obligations his apparent intention to comply with the wish of the House was described as "crystal clear" by **Mr John Smith**, Labour's shadow Chancellor.

In an attempt to translate the obvious desire in all quarters to prevent the underwriters establishing themselves in what **Mr Terence Higgins** (C, Worthing) called a "heads I win, tails you lose" situation the Labour leadership made an unsuccessful attempt to secure a vote on the issue by forcing an emergency debate.

The Speaker (**Mr Bernard Weatherill**), whose earlier decision to permit Mr Smith to ask a private notice (emergency) question brought Mr Lawson to the Treasury despatch box, ruled against a debate but assured **Mr Neil Kinnock**, the Labour leader, that he would watch the situation carefully in the interval before the Chancellor's official verdict on the application made by the underwriters is announced tomorrow.

Mr Lawson countered Labour claims that the global equity crisis had exposed the folly of the Government's reliance on market forces by insisting that so long as the main industrial nations followed sensible policies there need be no danger of a 1930s-type world recession.

Nor was he prepared to accept the assertions of Labour MPs that the BP "fiasco" marked the end of the policy of selling off public assets.

To government cheers, the Chancellor declared that the privatisation programme would continue, and with it the spread of share ownership.

Mr Lawson admitted that he had been "surprised" when the UK underwriters, led by N M Rothschild, the merchant bank, had made their application which triggered consultation procedures involving BP and the Bank of England.

He explained that if the Treasury and the underwriters were unable to agree they were required to make a joint approach to the Bank of England for its assessment.

Mr Lawson stressed: "I will take full account of that assessment before I take the final decision".

Mr Smith, who told the Chancellor he should be ashamed of having been "dragged reluctantly" to face the House, argued that the fundamental reason for the collapse in international marketshad been the irresponsibility of governments, including Mr Lawson and his colleagues, in facing up to the twin problems of the US deficit and the Japanese and West German surpluses.

The "free market chickens" had now come home to roost, he said, and the markets themselves were desperately wanting governments to assume the responsibility which they had abandoned.

Mr Smith called for a new economic summit with the seven major industrial nations agreeing that the main item on the agenda should be measures to tackle the deficit-surpluses problem with a view to avoiding recession and re-opening the opportunities for growth.

Mr Lawson agreed that the size of the US budget deficit was way ahead of their own capacity to finance it and constituted a major problem in the world economy.

He reminded Labour MPs that they had urged the Government to follow a similar course to that which had caused such problems for the United States.

Mr Lawson also accepted the importance of international co-operation and described the arrangements between the Group of Seven nations as being "in better shape" than at any time since he became Chancellor in 1983.

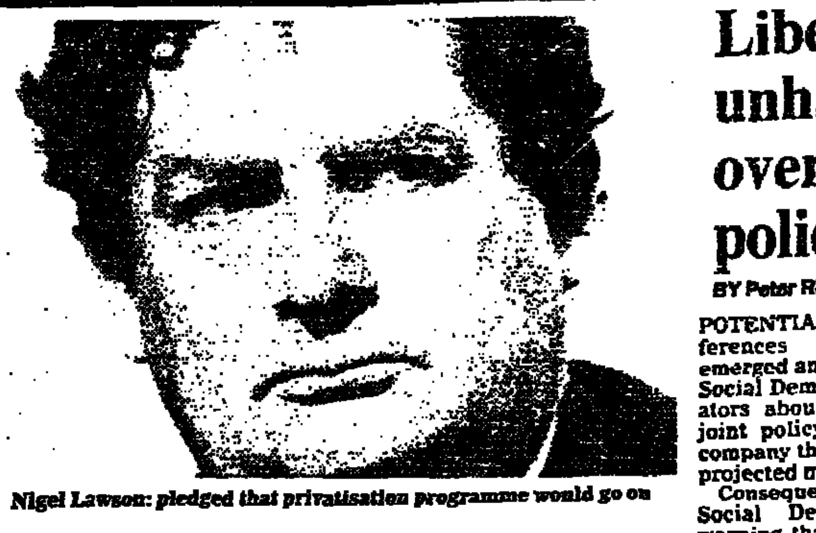
Sir Peter Hordern (C, Horsham) warned that if the BP issue were to be withdrawn it would be felt that the underwriters could not meet their commitments, causing far greater damage than if the issue were allowed to proceed.

Mr Lawson replied: "You are very knowledgable in these matters and I have carefully noted what you have said."

Mr Robert Sheldon (Lab, Ashton-under-Lyne), who is chairman of the Commons public accounts committee, recalled that it had condemned the "very large fees" commanded by the underwriters associated with earlier share issues resulting from the Government's privatisation programme.

He urged the Chancellor to "dismiss the impertinence" of the UK underwriters seeking to evade their liabilities in respect of the BP issue.

Mr Lawson drew attention to the important role occupied by Mr Sheldon as chairman of the PAC and promised that his views would be carefully noted.



Nigel Lawson: pledged that privatisation programme would go on

Chirpy Chancellor easily avoids that sinking feeling...

THE SYSTEM of "managed floating" in the Louvre agreement was strongly commended yesterday by Nigel Lawson when he came to the Commons to answer a Labour private notice question on the turmoil in the stock markets and the position of the BP flotation.

In fact our chirpy Chancellor performed some skilfully managed floating himself and kept his bouyancy despite the stormy weather. Most of the heavy shells thrown at him by John Smith, Labour's shadow Chancellor, bounced off his armour plating.

Mr Smith fulminated that Mr Lawson should be ashamed that he had to be dragged reluctantly to the Commons to answer questions on the situation. He should apologise to the House for treating it as less important than the stock exchange.

But shame and apologies are not at all the Chancellor's style and he shrugged off the Labour spokesman's diatribe as "a bit of impertinence."

Positively bouncing with self-confidence he congratulated himself and the Government on putting the UK economy in such a robust state of health and sound finances that it was in the strongest possible position to weather the storm.

There was precious little sympathy on either side of the House for the underwriters of the BP privatisation issue who stand to suffer big losses on the deal. On the contrary, most MPs gleefully indulged in a spirit of *schadenfreude* at their plight.

Tory MP Anthony Beaumont-Dark, an investment analyst and stockbroker, summed up the feeling when he said that underwriters had done well for themselves over the years. Now was the time for them to live up to the stock exchange slogan of "My word is my bond."

There was great hilarity when at least two Tory MPs made an unfortunate Freudian slip by referring to them as "undertakers".

Labour was not in the easiest position to take advantage of the situation particularly as Bryan Gould, the party's campaign co-ordinator during the general election, has been urging the party to change tactics and climb aboard the bandwagon of wider share ownership.

The great policy revisionist was sitting on Labour's front bench and Mr Lawson was quick to remind him of his views and to speculate whether he was now such a rising star in the people's party.

Tony Benn also got the rough side of the Chancellor's tongue. Taking his customary trip down memory lane the veteran leftwingerasked if Mr Lawson had read the speech made by Winston Churchill in 1914 when he acquired a majority holding in Anglo-Persion Oil (BP's predecessor) for £2m, probably "the wisest public investment" of all time.

Mr Benn suggested the privatisation of BP should be cancelled and its assets kept in the public domain.

No, Mr Lawson had not read the Churchill speech but he did recall that Mr Benn had been Energy Secretary in the Labour Government and had been responsible for the first sale of BP shares at 100 pence each.

Other left-wingers who had taken part in the great Socialist talk-in at Mr Benn's Chesterfield constituency over the weekend, fared no better. Eric Heffer declared that there had to be a recognition that the capitalist system was now beginning to fall apart.

The Chancellor chuckled amiably at Mr Heffer's touching belief that the Socialist millennium was at hand. He saw Eric as one of the Commons dinosaurs and as such had a great affection for him. The truth was that the workers had done a lot better under the Conservatives than under Labour.

One of the senior Tory backbenchers, Sir Peter Emery, seemed to imply that the fall in the markets was a scare got up by the Labour Party. The members of the Opposition were doing nothing to stabilise the markets, he complained. On the contrary, they were creating the panic that existed.

The Chancellor, who is ever eager to deliver a blow to the solar plexus, demurred at this view. Even he did not believe that Labour was capable of starting the slide on the New York stock markets.

"Nevertheless, if they could have done, they would have done," he added as a malicious afterthought.

"It is indeed fortunate that this Government is in office in this country," he intoned. "It is the one Government that can steer the country's economy through the stormy period we may be facing." It was a suitably majestic finale to a swashbuckling performance.

JOHN HUNT

Liberals unhappy over party policy talks

BY Peter Riddell, Political Editor

POTENTIALLY significant differences of opinion have emerged among the Liberal and Social Democratic Party negotiators about the status of the joint policy prospectus to accompany the constitution of the projected merged party.

Consequently, some leading Social Democrats are now warning that the talks may not succeed in spite of the progress reached in the past three weeks on a constitution.

Mr David Steel, the Liberal leader, and Mr Robert Maclennan, the SDP leader, have jointly proposed that the policy stance of the new party on items such as defence should be included in a prospectus to be agreed by the negotiators. They want this in turn to be submitted for approval to the consultative conferences and assemblies of both parties early next year and then to a vote of all party members.

They have agreed that this prospectus should be entrenched as part of the constitution for an interim period for at least the 12-18 months until the new party's policy-making machinery is in place.

The problem arises over the opposition of several of the Liberal negotiators to any agreement about policy before a new party comes into being. They argue that policy should be decided solely by members of the new party.

However, Mr Maclennan will not recommend any deal to his party unless such an entrenched policy prospectus is included. He believes it is necessary to reassure doubting Social Democrats that a genuinely new party is being created and that it will not be a Liberal-dominated party.

The negotiators of the two parties met again last night and both sides intend to make public their positions this morning.

Labour MPs to resist benefit changes

BY MICHAEL CASSELL, POLITICAL CORRESPONDENT

LABOUR MPs yesterday pledged themselves to fight, line by line, the proposed changes in social security benefits announced in the Commons by **Mr John Moore**, the Social Security Secretary.

Announcing the changes, which take effect next April, Mr Moore said that they represented an "intelligent targeting of resources" and dismissed Labour accusations that they represented "rough justice" for the poorest people in Britain.

He claimed that, when last in power, Labour's attempts to help those in most need of benefits had been totally undermined by its failure to control the economy and to contain inflation. Under Labour, Mr Moore continued, pensioners had their savings stolen but the present Government concerned itself with the real well-being of the retired, "not just socialist pretence".

Under the latest uprating, retirement pensions and all contributory benefits, as well as benefits for the disabled and war pensions, will rise by 4.2 per cent, to reflect the increase in prices over the 12 months ending in September. The minister also announced details of the new system of income related benefits which will also be implemented next April.

BENEFIT LEVELS (in £)

	1987	1988
Retirement pension (single)	39.50	41.15
Retirement pension (couple)	65.90	63.25
Invalidity pension	39.50	41.15
Widow's allowance	55.35	57.65
Unemployment benefit (over pension age)	39.50	41.15
Unemployment benefit (under pension age)	31.45	32.75
Maternity allowance	30.05	31.30
Child benefit (each child)	7.25	7.25
One-parent benefit	4.70	4.90
Severe disablement allowance	23.75	24.75
Mobility allowance	22.10	23.05

Defending his decision not to raise child benefit levels, he claimed higher payments would be of greatest help to those who were already well off and whose living standards were already rising. It would, he stressed, provide no extra help to over 3m children in families on benefit, including low income working families, who gained the same from the uprating whatever happened to child benefit.

Mr Moore told the House that the total package would add £1.3bn to the social security budget, a substantial increase in spending for the Government's biggest single programme. He said the proposals struck "a fair balance between protecting the interests of the poorest and of those, such as pensioners, who have substantial reliance on state benefits, and protecting the interests of those whose taxes and contributions pay for benefits."

Mr Robin Cook, Labour's health spokesman, said that, even by the Government's own standards, it had set a record in the number of claimants who would lose under the new benefits. The net effect, he claimed, would be that 4m people receiving benefit would not get a penny extra and that 1m would lose entitlement altogether.

Mr Cook claimed that a family of four drawing the new family credit and housing benefit could now lose 98p in every £1 in earnings. He said that if the Government had not broken the link between pensions and average earnings, a married couple's pension would from next April be £14.60 higher than the levels announced. Britain now had the lowest pensions in Europe, he added.

Sir Ian Gilmour (C, Chesham and Amersham), a leading Tory critic of the decision not to raise child benefit, said that in the light of the earlier assurances from the Chancellor of the Exchequer that the economy was in excellent shape, his decision to freeze the existing benefit level was "thoroughly insensitive".

The decision, he claimed, amounted to "discrimination pure and simple against families with young children." Child benefit had fallen in real terms since 1974 and challenged Mr Moore to justify his decision.

Ridley sets limits for public ownership

By Our Political Editor

PUBLIC ownership is not necessary for the provision of services by central and local government, Mr Nicholas Ridley, the Environment Secretary, argued last night in a speech urging a sea change in attitudes by local authorities.

He was addressing the 92 Group of Tory backbenchers from the free market/right wing of the party.

His central theme was that the public sector did not need to have a permanent investment in housing, and in shopping and leisure centres. Instead, the private sector should provide these things, with the public sector providing specific subsidies to people they were trying to help.

He argued that it might be right to use public money to bring retail centres or factory units into existence, but ownership was not necessary except in the case of facilities like town halls, pavements, public parks and sheltered housing.

Mr Ridley argued that the sale of public sector assets and houses generated more money for new investment than would otherwise have been the case.

A modified system of capital controls would, he said, have to continue until the time came when it was accepted that neither local authorities nor government were in the business of empire-building.

The Department of the Environment's privatisation policy had so far produced £10bn for the improvement of the capital stock of local authority assets, which was being ploughed back and profitably invested.

He stressed the need to divest the state of empires rather than to continue to build them up, with a new perception that "the pursuit of state ownership for its own sake is pointless, wasteful and sterile."

PM takes hard line over committees

BY IVOR OWEN

ATTEMPTS by minority parties tosecure changes in the methods used to decide the composition of the select committees whichmonitor the work of government departments were brushed aside by Mrs Margaret Thatcher, the Prime Minister.

She pointed out that the existing arrangements permit the membership of such committees to be decided by a vote of the House - with the Government's majority usually ensuring that its preferences prevailed.

Scottish MPs on the Opposition benches, who outnumber their Conservative counterparts by 50 to 10, want the membership of the select committee on Scottish Affairs to reflect the balance of the parties in Scotland while the Government is insisting that its membership should reflect its overall majority in the Commons.

Members of other minority parties are also dissatisfied with the existing procedure for determining the membership of select committees.

Labour groups to oversee review of party policy

BY MICHAEL CASSELL, POLITICAL CORRESPONDENT

LABOUR's national executive committee is today expected to endorse proposals to establish a series of groups to oversee the policy review which the party is to undertake in the wake of its third election defeat.

The mechanism for the wide-reaching review, called for by Mr Neil Kinnock, the Labour leader, is detailed in a paper to be submitted to today's NEC meeting by Mr Larry Whitty, the party's general secretary.

It involves the setting up of seven groups, each responsible for a specific policy area, comprising members of the NEC and the shadow Cabinet. The trades unions will also be involved though it is not yet clear whether they will have direct involvement in the new policy groups, which should be operational within a month.

Among the policy areas to be studied are the economy, social and community services, the environment, international security and rights at work and in the community.

The review groups will contribute to a party statement of values, objectives and policy guidelines to be considered next summer by the NEC and put to next autumn's annual conference. A further year's work will then go into refining policies for approval at the 1989 conference.

Today, the party will be holding the first of its "Labour Listens" meetings, designed to help the party canvass grassroots opinion around the country on political issues. The first meeting, to discuss the poll tax proposals, will be held at Westminster

Davies sees threat of 35% defence orders cut

BY TOM LYNCH

DEFENCE ORDERS may have to be cut by 35 per cent to meet the Government's target of a 5 per cent real-terms reduction in the defence budget at a time when spending on the Trident nuclear weapons system is rising, Mr Denzil Davies, the shadow Defence Secretary, told the Commons last night.

Speaking at the start of a two-day debate on the defence estimates, Mr Davies said: "Most members of this House and most members of the armed forces honestly know that the Government has no hope of meeting its defence commitments within the expenditure it has got."

The Government's options would be to reduce spending on new equipment, to keep old equipment going beyond its natural lifespan and to buy equipment from the US, thus running down the British defence industries. If the first option was adopted, he estimated orders would fall by 35 per cent.

Mr George Younger, the Defence Secretary, said spending on defence had been a total of £16bn more since 1979 than it would have been had Labour's spending plans continued, and nearly all of that had been on conventional forces. Defence sales weere at record levels and the defence industries were enjoying their largest turnover.

He welcomed the likely US-Soviet deal on reducing intermediate-range nuclear weapons in Europe but condemned Soviet negotiating tactics which, he said had included using irrelevant arguments and placing "spurious obstacles in the way of progress on arms control."

How finance-sector recruiters see the slide

BY MICHAEL DIXON

Rank of job-holder	Lower quartile Basic salary £	Lower quartile Total money reward £	Median Basic salary £	Median Total money reward £	Upper quartile Basic salary £	Upper quartile Total money reward £	Average Basic salary £	Average Total money reward £	% who were paid bonus	Bonus as % of recipients' average rewards	% with company car	% with free petrol	% with 5 week or moe holiday
Engineering director	24,465	25,480	29,460	30,600	34,183	35,750	30,764	31,907	30.3	10.3	83.1	64.0	21.0
Senior function head	20,000	20,800	24,000	24,920	27,188	29,409	24,898	26,375	45.3	11.1	72.1	44.2	24.0
Function head	19,500	19,829	22,600	23,185	26,832	28,000	23,735	24,530	36.5	8.1	85.1	54.8	22.0
Department manager	18,000	18,335	20,358	21,000	23,069	24,138	21,021	21,722	33.5	8.2	54.0	32.0	18.0
Section manager	16,395	16,596	18,042	18,392	20,304	21,033	18,678	19,192	32.0	6.5	28.3	17.3	18.0
Section leader	14,570	14,909	16,299	16,850	18,427	19,654	16,620	17,528	27.4	7.7	16.7	5.3	18.0
Senior engineer	12,525	12,973	13,993	14,662	15,660	16,605	14,247	15,046	21.4	6.3	11.6	6.3	11.0
Engineer	10,497	10,927	11,655	12,107	13,068	14,027	12,012	12,744	22.0	7.8	7.3	2.8	9.0
Junior engineer	9,000	9,210	10,002	10,552	12,456	12,573	10,303	10,835	29.8	1.7	23.1	0.5	12.0

"IF you can't ride two horses at the same time, you've no right to be in the circus." Those words - once spoken by a company chief reflecting on the pressures of life in top management - are brought sharply back to mind by *my inquiries these past few* days about the likely effects on job prospects of events in stock markets and the like.

One immediate result is that recruiters in such fields are more chary than they used to be of speculating about the future. The dozen I consulted all began their answer with a phrase like: "Well, assuming that crisis doesn't turn to total disaster...." Within said provisos, however, the consensus is that prospects are not as gloomy as many folk in the financial sector seem to fear, let alone as grim as some pharisees outside it apparently hope.

It is true that my informants included a pessimist. "There'll soon be a lot more people looking for jobs in the sector, and many won't find one," he said. "They'll have to move into other kinds of occupation."

But his gloom was balanced by the optimism of another consultant who said that London at least, primarily because of its geographical position, would in the longer-run maintain its growth sufficiently to reabsorb most people at present being displaced. Moreover the bulk of the recruiters maintained that while some types of staff may suffer badly from the shake-out, others are likely to be relatively unscathed.

"I'd say foreign exchange and traditional treasury operations will go on much as always. And treasury instruments and financial futures will probably stand up pretty well," was one typical comment.

"Things look worse *for capital* markets staff like equities and bonds dealers. But even there, I'm sure good operators will still be in demand. To be frank, a lot who were taken on while trade was booming just aren't up to the mark. They are the ones who'll go. There'll be jobs *for* people who have what it takes to do all right not only when the market is bullish, but when it's running the other way too."

Eight of the dozen felt that people's prospects would also depend much on the origin of their employing organisation. "Not everyone is as quick with the axe as American investment banks and some British houses whose reflexes work the same way. The Japanese tend to take a longer-term view, and the same goes to a lesser extent for the Swiss and the Germans."

But what recalled to mind the company chief's words about qualifications for circus work, was another point on which all the consultants seemed agreed. It is that, as a result of basic changes such as new technology and deregulation, crises of the present sort are apt to be fairly frequent in future. If so, it may now be time to rewrite Kipling's most famous lines as follows:

"If you *can't* keep your head when all around you are losing *theirs and blaming it on you...* then you've no right to be in the finance sector."

Engineers

AS THE TABLE above shows, the pay and perks of Britain's engineers tend to be dwarfed by the princely rewards common in City-type banking. Even so engineering staff seem at last to have something that numerous yuppies could come to envy. For according to the survey from which my figures are taken, UK job conditions for engineers have achieved unprecedented stability.

Between the summers of 1986 and this year, turnover owing to resignations fell to an all-time low of 6.2 per cent, and sackings and redundancies to only 2.1.

The table does nothing like justice, of course, to the wealth of information provided by the full survey which was made by the Remuneration Economics *consultancy in association with* the Engineering Council. Anyone wishing to know more should contact Peter Stevens of the consultancy at 51 Portland Road, Kingston-upon-Thames, Surrey KT1 2SH; telephone 01-549 8726.

Good news

NOW to some jobs - the first half dozen of which support the view that the finance sector will continue to seek able operators even in crisis areas. All six are for equities salespeople, and are being offered by recruiter Tom Dodson on behalf of the City stockbroking subsidiary of a UK-owned bank.

As he may not name his client, he promises to abide by honour any applicant's request not to be identified to the employer at this stage of the proceedings. So do the other headhunters to be mentioned later.

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ALSO in the City, a European owned stockbroking concern has retained headhunter Mark Lockett of Kay Executive Search to find a board-ranking manager to develop its research function.

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A leading international bank seeks an experienced negotiator to identify and structure a variety of medium/large asset financing transactions. The appointee, of graduate calibre, aged around 30 years, will offer a sound UK/international leasing knowledge and the ability to capitalise on the exciting range of financial instruments available.

**For the above positions please contact
Jill Backhouse or Peter Haynes.**

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Telephone: 01-623 1266. Fax: 01-626 5258.

SENIOR ANALYST/FUND MANAGER JAPAN

Last year National Mutual acquired Schroder Financial Management Ltd and the new combined group is one of the fastest growing Life Assurance and Unit Trust organisations in the UK.

The development and expansion of our highly successful international team has necessitated the appointment of a further senior specialist to cover the Japanese equity market. We are primarily seeking applicants with relevant experience but will consider individuals of exceptional *quality who may not have such specific expertise.*

Ideally, the successful candidate will have an appropriate business related degree, be progressing towards an SIA qualification, and have the ability and personality to project National Mutual well to existing and potential clients.

This appointment will provide a rewarding challenge to the right person, who can expect rapid advancement to a senior fund management role.

A competitive remuneration package is offered which includes immediate eligibility to a performance-related bonus scheme, a mortgage subsidy and other fringe benefits associated with a large fund management group. Generous relocation assistance will be given as appropriate.

If you are interested in joining our highly motivated and forward-looking team in Poole and want to be part of an international financial services group whose assets exceed £8 billion, please write with a detailed C.V. including current salary or telephone for an application form to:—

The Personnel Department
NATIONAL MUTUAL
NM HOUSE, Serpentine Road
Poole, Dorset BH15 2BH
Tel: (0202) 680666

National Mutual

INVESTMENT ANALYSTS

Last year National Mutual acquired Schroder Financial Management Ltd. and the new group is now one of the fastest growing Life Assurance and Unit Trust organisations in the UK. As part of our continuing expansion we have two vacancies for Investment Analysts in our forward-looking team based in Poole, Dorset.

The successful applicants will become part of a major UK organisation which is in turn part of an international financial services group whose assets exceed £8 billion. The ideal candidates should have suitable *degrees, be in their mid-twenties and have between one and three* years' analytical experience. Candidates with experience in the Financial, Pharmaceutical & Chemical sectors of the UK equity market will be particularly well regarded as will persons who are progressing towards an ASIA qualification.

These appointments will provide rewarding challenges to the right people. The salaries offered will be competitive and progression includes eligibility to a performance-related bonus scheme. Relocation assistance to Poole will be given as required. Fringe benefits include a mortgage subsidy and other benefits applicable to a large UK fund management group.

Due to our expansion programme the promotional opportunities are excellent and we are therefore looking for candidates of high calibre *with the ability to progress. If you believe you are capable of meeting* these challenges please write with detailed CV, including current salary, or telephone for an application form to:

**The Personnel Department
National Mutual
NM House
Serpentine Road
Poole
Dorset BH15 2BH
(0202) 680666**

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This challenging position carries executive status and provides for genuine career enhancement together with a highly competitive salary and generous fringe benefits.

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In order to meet the needs of this dynamic and fast-moving environment, *we are now seeking to strengthen our Computer* Audit team by appointing a senior member of the Audit and Inspection Division. You may be a qualified accountant who has had exposure to computer systems and has a broad understanding of systems development techniques, and who would now like to develop a career in this direction. This is also an exceptional opportunity for someone with a number of years computer audit experience wishing to take the next step up.

Whichever your background, you will enjoy responsibility for ensuring that the Bank's computerised audit systems (existing and those under development), function effectively and comply with acceptable standards. You will also be expected to liaise with senior management, therefore, good communication skills are essential.

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Please send a c.v. or telephone for an application form to: Paul Wildes, Management Appointments Manager, Girobank, Bridle Road, Bootle, Merseyside, GIR 0AA. Tel: 051-966 2487.

Girobank

Corporate Planning Manager
Based Bristol 19K

A division of British Telecom Enterprise, Telephone Marketing Services is the largest telephone marketing operation in Europe. We are currently at a crucial stage in our ambitious growth plans and are seeking to appoint a Corporate Planning Manager.

Reporting to the Finance Director, you will be responsible for providing a systematic approach to the deployment of TMS resources in order to achieve long term objectives. As our Corporate Planner you will be expected to identify, evaluate and select alternative growth strategies.

You are likely to be a highly numerate and analytical graduate with experience of Corporate planning and a business. As this is a new position you will need to be a self starter with the communications skills and expertise to enable you to influence senior managers within the group.

Salary for this position will be up to £19K geared to experience, supported by the usual large Company benefits and excellent career prospects.

Please write with full CV to, Sandra Masters, Group Personnel Manager, Telephone Marketing Services, Middlegate, Whitefriars, Lewins Mead, *Bristol BS1 2LW.*

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The assets of the ICI Pension Funds which now exceed £4.5bn are managed by our Investments Department located near Covent Garden. We are now seeking an Investment Analyst whose ultimate ambition is fund management.

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There will also be the opportunity to become closely involved in the management of one or more smaller pension funds and possibly overseas markets at a later date.

A competitive salary will be paid to the right candidate.

Please apply in writing to: Mrs D K Cunningham, Head Office Personnel, ICI PLC, I C House, Millbank, London SW1 3JF.

INTL. COMPANIES & FINANCE

Toshiba surmounts sanctions handicap

By Carla Rapoport in Tokyo

TOSHIBA, one of Japan's leading electronics companies, managed a sharp jump in profits in the six months to September, despite troubles over the group's violation of restrictions on Soviet trade as well as the effects suffered from the higher yen.

Pre-tax profits more than doubled to Y24.98bn ($175.7m) from Y12.4bn in the same period of last year. Sales were up 9.6 per cent to Y1,289bn.

At the same time, Matsushita Electric Industrial Co, Japan's largest electronics company, reported unchanged profits for the six-month period on sales up by 3 per cent.

Toshiba came under direct fire from the US government this year. First, its popular lap-top computers were hit by penalising tariffs by the US as part of a package of trade sanctions in protest against Japan's alleged violation of a pact on semiconductor trade.

Subsequently, Toshiba became the symbol of US anger over its trade imbalance with Japan when it was discovered that Toshiba Machine, one of its subsidiaries, had violated Cocom regulations by selling sophisticated naval equipment to the Soviet Union.

The company said yesterday, however, that exports to North America were only Y20bn short of its estimated sales of Y140bn for the period. About Y10bn of the shortfall, it said, was due to the tariffs on lap-top computers. Most of the rest it attributed to its tarnished image as a result of the Cocom violation. Toshiba's chairman subsequently resigned because of the incident.

The profit impovement, according to the company, was largely thanks to the recovery of semiconductor demand and Toshiba's rigorous cost-cutting exercises of the last year or so. Toshiba has increased its component sourcing from outside Japan, in line with other leading Japanese electronics companies.

The company remains optimistic about continued improvement in sales of semiconductors, communication and information systems and home appliances, mainly in the domestic market. Exports are expected to be remain under pressure as Toshiba is forecasting the US dollar to fall to about Y135 in the next six months.

Matsushita meanwhile showed pre-tax profits steady at Y91.55bn for the six months ended last September - figures are not directly comparable as the company has changed its year-end. Sales rose an estimated 3 per cent to Y1,619bn, largely thanks to steady domestic demand.

The company said that profits were maintained despite the pressure on exports thanks to rationalisation efforts and earnings on cash balances, which more than offset its foreign exchange loss of Y12.7bn.

Exports represented 29 per cent of overall sales, the first drop below 30 per cent since 1980. This was due to the yen's appreciation.

Fairfax bid to proceed without Syme spin-off

BY BRUCE JACQUES IN SYDNEY

MR WARWICK FAIRFAX yesterday sent out offer documents for John Fairfax, going ahead with his A$2.55bn (US$1.82bn) bid to take the Sydney media group back into his family's private domain.

Terms will remain at the original A$8.50 cash per share despite the collapse in world equity values since his intentions were first announced. However, he will not now proceed with the planned A$500m flotation of its David Syme Holdings unit - embodying its main newspaper titles - which was to have been a key part of the funding package for the takeover.

The original offer, through a vehicle called Tryart, for the Fairfax empire involved an alternative of shares in the Syme flotation. That option is missing from the bid lodged yesterday, and Mr Fairfax said the Syme issue had been scrapped "in view of current market conditions and the strong cash flow of Syme."

He said Syme would remain part of the privatised John Fairfax group for the forseeable future and an enthusiastic response was expected for the A$8.50 cash bid.

This is probable as Fairfax shares yesterday drifted down to A$8.80 in thin trading on Australian share markets. Tryart is already entitled to 42.8 per cent of the company's capital. The National Companies and Securities Commission, the market watchdog, has approved the variation of the bid, expressing satisfaction that it was no less favorable than the original offer.

Dropping the Syme share alternative will add about A$275m to the cash requirement of the Fairfax bid, and there is growing speculation that further assets may have to be sold to fund it. Tryart has already agreed to sell the Fairfax magazine division, the daily Australian Financial Review and the Macquarie radio network among other assets to Mr Kerry Packer and Mr Robert Holmes a Court for about A$725m.

Remaining assets include the Sydney Morning Herald, The Age (Melbourne) and BRW Publications.

In a further fall-out from the market crash, Mr Holmes a Court is believed to have received his second blow in a matter of days. The West Australian entrepreneur has apparently been forced to accept the exercise on put options he had issued over shares in Broken Hill Proprietary, the resources group in which he owns 28 per cent.

He was believed to hold 5m contracts to purchase shares at A$9.66 against BHP's closing price yesterday of A$7.30, down 10 cents. The options uncertainty caused turnover in BHP to rise to an exceptionally high 42m shares.

Mr Holmes a Court also issued a statement yesterday which said that the cancellation last week by Merrill Lynch, the lead manager, of a A$1bn convertible bond issue for his Bell Resources would not damage his corporate interests.

MIM delays offshoot flotation

BY OUR FINANCIAL STAFF

MIM HOLDINGS of Australia is to delay the flotation of Highlands Gold, its Papua New Guinea gold offshoot, until the stock market stabilises.

Earlier this month MIM reached agreement with the PNG government on the long-awaited launch of Highlands Gold, which has as its major asset a one-third stake in the large Porgera gold deposit in Enga Province.

MIM, a base metals and coal mining group, also announced that net profits rose to A$11.69m (US$8.33m) in the first 12 weeks ended September 27 from A$9.93m in the same period to September 14 last year.

On a pre-tax basis, earnings were much more sharply up at A$31.73m from A$17.24m. A tax provision of A$20.4m, up from A$7.31m, was described as essentially a non-cash item due to carried forward tax deductions.

MIM said it benefited from higher prices for copper, silver and lead. Weak coal prices continued to hold back group earnings, though, and its three coal mines lost A$10.2m before tax - of this deficit the Newlands steaming coal mine in Queensland accounted for A$9.4m.

Sales volumes of copper, silver and lead rose on year earlier levels, but those of zinc and coal fell. Turnover edged up to A$315.74m from A$311.69m, with other income supplying a further A$14.49m

The effect of higher metal prices was flowing into the second quarter, MIM said, noting that while share prices had plunged since September 27, copper prices had firmed and silver, lead and zinc prices had changed little.

Equiticorp says portfolio protected

BY OUR FINANCIAL STAFF

EQUITICORP HOLDINGS, the New Zealand investment company which has been an aggressive accumulator of equity stakes to spearhead takeover bids in the UK and Australasia, yesterday moved to reassure investors about the durability of its earnings in the face of the global market collapse.

While reporting another strong profit advance for the six months to September, it said in a statement that recent falls in the value of its share trading portfolio were well covered by an investment fluctuation provision created during that period.

"This provision is more than sufficient to cover recent reductions in the market value of the group's portfolio," it added, arguing instead that the recent fall in world stock markets had in fact highlighted the strength of its investments.

Holdings in companies including Guinness Peat in the UK had not been greatly affected, the group said. "Recognising the underlying profitability, strength and asset backing of these companies, they will retain their long-term value."

Equiticorp, headed by entrepreneur Mr Allan Hawkins, said it was in a liquid position worldwide, had deposits and unused bank facilities, and was well placed to take advantage of opportunities.

In the first half-year, net profit jumped 72 per cent to NZ$55.24m (US$35.8m) compared with NZ$32.08m. The interim dividend is being maintained at 4 cents a share.

Australian bank to be liberalised

REGULATIONS covering Commonwealth Banking Corporation, a commercial bank owned by the Australian government, will be liberalised in what may be the first step towards selling shares in the bank to investors, AP-DJ reports from Canberra.

The government has said it will amend regulations to allow the bank, one of the four biggest in Australia, to provide a greater range of financial services including insurance and investment services.

Mr Paul Keating, the federal Treasurer, said the moves promoted efficiency and enhance the bank's competitiveness.

Commonwealth Bank's directors will be required to prepare a plan defining objectives and strategies and dividend policy.

REGULATION · IN · THE · CITY

The Securities Association has been set up to help the securities industry answer the requirements of the Financial Services Act 1986, which establishes in the United Kingdom a new regulatory framework for investor protection over a wide range of investment activities.

Under the provisions of the Financial Securities Act, the Enforcement Division of TSA will be responsible for monitoring members compliance with the Association's rules. We are, therefore, increasing our teams of inspectors to meet the challenge of regulating the financial activities of member firms.

You will be either a recently qualified accountant or an accountant, lawyer, or chartered secretary, with up to three years experience.

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Your role will be to:

- Examine the financial activities of member firms
- Investigate and seek to resolve customer complaints
- Monitor their conduct of business

Working as part of a closely knit team of five you will need to have an eye for detail, strong interpersonal skills, be diplomatic and thrive on pressure.

In short this variety and challenge requires people of the highest calibre.

Salary will be negotiable and benefits will include non-contributory pension scheme, free travel and BUPA with relocation where necessary.

Please write with full CV to:–
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London EC2N 1EQ.
Tel: 01-256 9000 Ext. 28973

THE SECURITIES ASSOCIATION

Compliance

The recent development of regulation and compliance has had a major impact on all City institutions. Michael Page City has substantial experience in this new field. Paul Wilson is our consultant who specialises in this area and would be delighted to advise clients on their current or future staff requirements. Additionally, he would be delighted to talk to individuals, especially ACA's, lawyers or practitioners who are considering a career move in this area.

Please write to **Paul Wilson** at Michael Page City, 39-41 Parker Street, London WC2B 5LH, or telephone him on **01-404 5751**. Confidentiality is of course assured.

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CITY DIVISION

Marketing/Relationship Manager To £50,000

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US Equity Sales

Prestigious US stockbroker with UK Merchant bank support has opportunity for two high calibre individuals to join a new London team to sell US equities to UK institutional clients. These positions offer first class career opportunities within an expanding operation and will involve a 6-9 months initial period in New York. There is an attractive profit related bonus scheme.

SENIOR SALESMAN — To £35,000
Candidates should be in their late twenties with at least two years experience of selling equities, preferably US, to UK institutions.

JUNIOR/TRAINEE SALESMAN — £20,000-£25,000
Graduate with two years plus working experience with a financial institution, he/she should have some knowledge of the US market but not necessarily directly related to the equity market.

Corporate Financier — £35,000, Car

Corporate Finance Practitioner, with a minimum of 3 years experience working at the sharp end of Corporate Finance is sought by this prime City based bank. You would be working at Senior Manager level and be seeking a move to Assistant Director level. Experience must include mergers and acquisitions, flotations, capital/fund raising, right issues etc. The position offers excellent potential for the future.

Financial Analyst — £30,000

A Financial Analyst is sought to analyse financial and commercial data on companies and industries, preparing reports and making presentations by a leading City based bank. The successful candidate will have a minimum 2ii degree in a numerate subject, and have an analytical background in a financial environment and an understanding of mergers and acquisitions. Prospects are excellent.

Accountant-Life Insurance — £Neg

A major Financial Services Group seeks a qualified A.C.A. with experience in Life Insurance. Suitable candidates, whether recent *qualifiers or with several years working in the industry will be offered* a package commensurate with the range and depth of their experience.

Account Officer — £20,000

This prime, rapidly expanding European bank based in the City, wishes to recruit an Account Officer. Prime responsibilities will be developing new business in addition to maintaining on-going relations. The successful candidate will be aged late 20's/early 30's, with a minimum of 2 years UK marketing experience. Prospects are excellent.

Staff Benefits/Pension Specialist £16,000 - £18,000

A blue chip American bank is looking for a specialist in pensions with preferably some knowledge of other staff benefits. This is a non administrative position which will involve Pension Fund Trustee meetings, negotiating health insurance etc.

01-588 4305/6 *Moorgate Hall, 153/157 Moorgate,* LONDON *EC2M 6XB.*

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For further information please contact:
LOUISE GORE
on
01-929-1212 (24 Hours)

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3 LONDON WALL BUILDINGS, LONDON WALL, LONDON EC2M 5PJ TELEPHONE: 01-588 3588 or 01-588 3576. TELEX: 887374. FAX: 01-256 8501

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FUND MANAGEMENT · CORPORATE FINANCE

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It is planned for this team to become one of the top rated in the oil sector, therefore requiring them to locate an individual with intelligence and creativity who would feel comfortable operating in an environment of individual initiative.

You should have several years experience in stockbroking, analysing the North Sea and Gulf regions and a sound understanding of British and overseas corporations in these markets. A formal accountancy training would be most desirable.

If you are a highly motivated and successful oil analyst with a flair for original research coupled with a quick brain and sense of humour, we would be delighted to hear from you.

Please apply in confidence to: **JONATHAN HEAD** on 01-430 1551/2655 or write Executive Selection Division, 9 Brownlow Street, Holburn, London WC1V 6JD.

DSA

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Samuel Montagu formed its Special Business Unit a year ago to provide corporate finance advice to new and developing companies. The Unit operates as an integral part of Samuel Montagu's successful corporate finance division.

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Gilts Division

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GILT SALES

The leading new securities arm of a powerful International Investment Bank providing global services of the very highest quality, seeks to appoint high calibre individuals in the Gilts Market.

With at least two years' experience of Gilt Sales to Institutions, applicants will have *established a remarkable record of achievement in this field and can expect rewards that* match their ambitions and that reflect the importance and status the bank attaches to this position.

If you are able to meet the above criteria, please contact Daniel Berry on 01-929 2383 or send a full CV in strictest confidence to Reed City, Fourth Floor, 1 Royal Exchange Avenue, London EC3V 3LT.

REED ... *City*

Shepherd Little & Associates Ltd

Banking Recruitment Consultants

SECURITIES SETTLEMENTS ASSISTANT DIRECTOR — **c£40,000-£50,000 + Car**

A prestigious UK Merchant Bank seeks an experienced Settlements Manager with a banking or stockbroking background. Their ideal candidate will be self-motivated and possess well tested organisational skills, with the flair to lead a team of around twenty people. The job entails taking complete responsibility for all settlement and operational procedures for equities and fixed interest securities. Applicants should be skilled man-managers exhibiting the potential to take on further responsibilities as the bank's trading activities continue to increase.

Please contact Keith Snelgrove

MARKETING OFFICER — **c£22,000 + Car**

A well known European Bank, with an energetic commercial/corporate banking unit, is seeking an additional business development officer. Candidates should possess about eighteen months experience in a business generating role, have sound credit/risk analysis skills, be educated to degree level, and be in the age range 25-32. This bank has a diverse lending portfolio and seeks to further strengthen the side of its activities by recruiting an entrepreneurial and ambitious young banker.

Please contact David Little or Keith Snelgrove

TRUST OFFICER — ISLE OF MAN

A major Merchant Bank, with world-wide connections, wishes to recruit a trust officer with previous "offshore" experience to help develop its Isle of Man operations. Probably possessing the A.I.B. trustee diploma, the ideal candidate, capable of trust formation and administration, will be the kind of opportunity seeker able to travel and bring further new business to the firm.

Please contact David Little

Ridgway House 41/42 King William Street London EC4R 9EN
Telephone 01-626 1161

Capital Markets

Head of Bonds

The London branch of a leading Scandinavian bank acts as the autonomous centre of their global capital markets activities. Strongly committed to developing their presence in this area, the bank now seeks to recruit a Senior Manager – Bond Trading with responsibility for the dealing operation.

As a member of the senior management team you will be required to help formulate and implement overall strategy and define parameters in addition to an active trading role. Your responsibility will also include the recruitment and management of staff as the team grows.

Aged 30-40 you will have several years' bond trading experience, and a flexible approach which will allow you to adapt with the changing markets. Your experience in management and leadership skills will enable you to develop a highly successful and motivated trading team.

The position offers excellent prospects to the right candidate and a negotiable salary package. To apply please telephone or write in complete confidence to Caroline Humphreys of Cripps, Sears & Associates Ltd., Personnel Management Consultants, International Buildings, 71 Kingsway, London WC2B 6ST. Telephone: 01-404 5701.

Cripps, Sears

Hoggett Bowers plc — *CITY DIVISION*

Executive Search and Selection Consultants

Marketing/Relationship Manager To £50,000

A rapidly developing financial institution requires an individual to market a range of products to UK Corporates and to act as the client contact point. He/she should have at least five years city experience preferably with a foreign exchange background.

US Equity Sales

Prestigious US stockbroker with UK Merchant bank support has opportunity for two high calibre individuals to join a new London team to sell US equities to UK institutional clients. These positions offer first class career opportunities within an expanding operation and will involve a 6-9 months initial period in New York. There is an attractive profit related bonus scheme.

SENIOR SALESMAN — *To £35,000*

Candidates should be in their late twenties with at least two years experience of selling equities, preferably US, to UK institutions.

JUNIOR/TRAINEE SALESMAN — £20,000-£25,000

Graduate with two years plus working experience with a financial institution, he/she should have some knowledge of the US market but not necessarily directly related to the equity market.

Corporate Financier — ***£35,000, Car***

Corporate Finance Practitioner, with a minimum of 3 years experience working at the sharp end of Corporate Finance is sought by this prime City based bank. You would be working at Senior Manager level and be seeking a move to Assistant Director level. Experience must include mergers and acquisitions, flotations, capital/fund raising, right issues etc. The position offers excellent potential for the future.

Financial Analyst — ***£30,000***

A Financial Analyst is sought to analyse financial and commercial data on companies and industries, preparing reports and making presentations by a leading City based bank. The successful candidate will have a minimum 2ii degree in a numerate subject, and have an analytical background in a financial environment and an understanding of mergers and acquisitions. Prospects are excellent.

Accountant-Life Insurance — ***£Neg***

A major Financial Services Group seeks a qualified A.C.A. with experience in Life Insurance. Suitable candidates, whether recent qualifiers or with several years working in the industry will be offered a package commensurate with the range and depth of their experience.

Account Officer — ***£20,000***

This prime, rapidly expanding European bank based in the City, wishes to recruit an Account Officer. Prime responsibilities will be developing new business in addition to maintaining on-going relations. The successful candidate will be aged late 20's/early 30's, with a minimum of 2 years UK marketing experience. Prospects are excellent.

Staff Benefits/Pension Specialist £16,000 - £18,000

A blue chip American bank is looking for a specialist in pensions with preferably some knowledge of other staff benefits. This is a non administrative position which will involve Pension Fund Trustee meetings, negotiating health insurance etc.

01-588 4305/6 *Moorgate Hall, 153/157 Moorgate,* LONDON *EC2M 6XB.*

MIDDLE EAST MARKETING AND SALES

International Marketing and Sales director experienced in financial retail products and services with multinationals. MBA from the US. Extensive experience in the Middle East and European Markets. Fluent in Arabic, French, English and Greek. EEC National. Age 30. Seeks challenging senior position with dynamic international company.

please reply to Box [illegible], Financial Times, 10 Cannon Street, London EC4P 4BY.

Manager

Fixed Income Portfolio Management

The Company

A major player in international Capital markets investment management with funds under discretionary management by the Group exceeding $5 billion.

The organisation maintains a three-fold market presence by running proprietary accounts on an in-house basis, a client advisory and a discretionary Portfolio Management Division.

The Position

Will involve running a small team of individuals who manage funds invested in multi-currency fixed rate bonds and equity linked securities.

The Individual

Will be a people orientated manager with experience of running income portfolio and looking for a greater challenge within the management/portfolio area. Age 27/34.

The Rewards

Will comprise a basic salary, incentive bonus, car and the usual fringe benefits associated with a position of this calibre.

Interested candidates should contact Paul Boucher on 01 248 3653 during office hours (01 407 2473 evenings/weekends) or send a detailed Curriculum Vitae to the address below. All applications are treated in the *strictest confidence.*

60, Cheapside.
London EC2V 6AX

BBM ASSOCIATES

Telephone: 01-248 3653

CONSULTANTS IN RECRUITMENT

Gilbert Eliott

Institutional Sales — U.K. Convertibles

The recent expansion of our convertible services has created the opportunity for a number of additional sales staff to join a highly professional team with excellent technical support. *While experience in the sector would be* an advantage this should not deter anyone with a sound background in either fixed-interest or equity markets from applying.

Please write in the first instance to:— Diarmid Glencairn-Campbell, Gilbert Eliott & Co., Salisbury House, London Wall, London EC2M 5SB.

Telephone No: 01-628 6782

National Firm of Stockbrokers require

EXPERIENCED SETTLEMENT STAFF

Due to continued expansion, experienced staff are required in various departments of the Cardiff division of the National Investment Group PLC.

Please contact the Administration Director at:

Lyddon,
113 Bute Street,
Cardiff CF1 1QS
Tel: 0222 473111 Ext 266

INVESTMENT MANAGER

Glasgow Investment Managers is the Investment Management subsidiary of *Edinburgh Financial Trust plc. We manage portfolios for Unit Trusts,* Pension Funds, Private Clients, a listed Investment Trust and a Life Assurance Company.

As a result of our success in securing new clients we now wish to recruit an Investment Manager to join our team. Applicants should have a good *University degree or equivalent and two to three years'* appropriate experience in an Investment Management Company, Merchant Bank, Stockbroking Firm or Life Assurance Company.

Experience of making and accounting for investment decisions, the capacity to contribute to the development of our investment thinking and the ability to *express ideas clearly are the principal attributes we seek.*

After an initial period of familiarisation with Glasgow Investment Managers' *approach, the new Manager will be granted specific responsibility* for client portfolios. The prospects are outstanding for a person who wishes to participate at an early stage in a successful and growing business.

The candidate selected will receive a competitive salary and attractive non-salary benefits, including the possibility of equity participation.

Applications, together with a full curriculum vitae, should please be made in writing to:–

Juanita Stanley (Ref. IM/FT10)
Investment Director
Glasgow Investment Managers Ltd
29 St Vincent Place (Third Floor)
Glasgow G1 2DR

GLASGOW INVESTMENT MANAGERS LIMITED

GANDON

Opportunities in the International Financial Services Centre in Dublin

Gandon Holding Company plc is a new financial services group backed by 25 major Irish and foreign institutions. It aims to become a significant publicly-quoted European financial institution with a reputation for excellence. It will have a 45% shareholding in J & E Davy, Ireland's largest stockbroker. Its main subsidiary, Gandon Securities Ltd., which will have an initial equity base of IEP 33 million, will operate in the International Financial Services Centre in Dublin and will trade as principal in international financial markets and provide rate risk management and securitisation services to clients.

Gandon is founded on the principles of employing only the most talented and energetic people and rewarding them fully for their contribution to the company. It believes that the quality and effectiveness of the support team is as vital to the success of the business as the calibre of the front office team. For people who make an outstanding contribution to Gandon, the rewards will include equity participation.

The first stage of Gandon's team-building – the selection of its key business transactors – has now been completed. The next stage is the recruitment of key support staff. Each appointment listed here offers a unique opportunity for a person who has excelled in his/her career to date to be involved at an early stage in the growth of this dynamic company. The successful candidates will have the flair and adaptability to operate in a fast moving and changing environment and will need a high level of self motivation, professionalism and self confidence.

Financial Controller

The responsibilities of this position will involve establishing Gandon's accounting policies and procedures, active participation in the installation of computer systems, supervision of the day-to-day booking of transactions, provision of management information on a daily basis and preparation of management accounts and final accounts.

The Financial Controller will report to the *Chief Executive and will be expected to* contribute to the strategic development of the group.

Candidates must be qualified accountants and have at least 5 years post-qualification experience. Preferably, this experience should be in the financial services sector but greater emphasis will be placed on overall ability than on directly relevant experience.

Internal Auditor

Reporting to the Group Board, the person appointed will be responsible for setting up and monitoring a comprehensive system of internal controls and standards. The successful candidate will be a qualified *accountant and have substantial internal* audit experience preferably in the financial services industry.

Risk Manager

From the outset, Gandon will have a carefully thought out and rigorously implemented approach to quantifying and managing the market risks arising from its trading and customer activities. A numerate, energetic and independent-minded individual is sought to take responsibility for implementing and continually developing the company's rate risk management policies. *He/she will report to the Chief* Executive.

Successful candidates will have an interest in financial markets and an honours mathematics degree or actuarial qualification. Provided the candidate can demonstrate the right qualities, the type of previous work experience is not crucial.

Head of Operations

Reporting to the Executive Director – Operations, the Head of Operations will have responsibility for managing the day-to-day back office functions of the company. In addition he/she will be part of the team responsible for developing and installing the *initial support systems.*

The ability and experience to manage and motivate staff and to support a dynamic and changing environment are essential. The successful candidate will have at least 5 years experience in a senior operations management role.

Head of Corporate Research

The Corporate Research unit will conduct in-depth research into the financial services industry worldwide and into all banks, brokers and customers with which Gandon deals. The objectives of the unit are credit analysis of Gandon's counterparties, opportunity identification for Gandon's services and input into Gandon's strategy for growth in the international financial services business.

The Head of Corporate Research will report to the Chief Executive. Candidates must have a good appreciation of trends in the international financial services industry gained through a career in the industry spanning at least 10 years and must have strong credit analysis skills.

Head of Systems

Reporting to the Executive Director – Operations, the Head of Systems will be responsible for the implementation, support and enhancement of *all PC* and mainframe based systems for both front and back offices.

The successful candidate will be an experienced systems professional with a proven track record in project *implementation* in a Banking or Treasury environment. Specific experience in implementing one of the leading banking software packages would be an advantage.

If you would like to be considered for any of these positions please send your career details before 13th November to:
Tim Brosnan, *Chief Executive*, Gandon Securities Ltd., 5th Floor, St Stephens Green House, Earlsfort Terrace, Dublin 2.

GROUP TREASURER

London **To £33,000 + Car**

Having an annualised turnover of nearly £1 billion and substantial profit growth (*72% higher in the first half of 1987 compared with 1986*) we are in need of a capable treasurer to guide us in optimising our resources.

Our core business currently revolves around our involvement in the motor trade (both here and in France) but we have an ambitious manifesto to further our distribution and retailing activities into other industries.

Consequently we are seeking a qualified accountant with treasury experience in a bank or multi-site corporate environment who should be able to relate well both to our banks (a £100 million 5 year MOF was signed in May 1987) and senior line management.

If you consider you are appropriately qualified and are in the age range 28–42 please write enclosing a detailed CV, (including salary) to:-

Peter Caney FCA, at 1 Lygon Place,
Ebury Street, London SW1W 0JR

Tozer Kemsley & Millbourn
(Holdings) plc

STERLING BONDS

Quadrex Securities, a rapidly growing Financial Services Group, have opportunities for salespeople who are creative and have experience in the distribution of Gilts, Debentures, Preference Shares, Bulldogs and Euro Sterling Bonds.

We are adding to an entrepreneurial team with flair to service Domestic and International Clients.

Rewards will be commensurate to production and fringe benefits are available. Please send your curriculum vitae which will be treated in strict confidence to:

Michael J Thompson,
Quadrex Securities Limited, 80-82 Regent Street, London W1R 6QX

Quadrex Securities Limited

Leading foreign exchange and currency brokers are looking for

Trainee Dealers

Applicants should have a good personality, a good mathematical knowledge and be aged between 18 and 24 years.

Write with full curriculum vitae to:

Mr. J. R. Ruddy
R. P. MARTIN PLC
4 Deans Court, London EC4V 5AA

Closing date for applications is Friday, 20th November, 1987.

International *Account* Representative

A vacancy has arisen within our Company for an International Account Representative who must be resourceful, and able to analyse situations accurately, and implement decisions. We require the applicant to have three to five years of international management, with proven skills in supporting and developing new opportunities. Knowledge of publishing and European languages is a definite plus.

Please apply with CV marked private for the:

Personnel Manager
Aldus Europe Limited
Craigcrook Castle
Craigcrook Road
EDINBURGH EH4 3UH

City Recruitment Consultants

Head of Swaps Settlements

£25,000

+ Bonus + Car + Benefits

Our Client, a subsidiary of a major European Bank, is expanding it's Capital Markets SWAPS Division and now requires a dynamic and expericced individual to set up and manage the SWAPS Settlements Department.

Successful candidates will have a sound knowledge of the entire SWAPS arena, which will have been gained over a minimum period of 2-3 years, plus the personal qualities necessary to lead and motivate an expanding team.

For initial interviews please contact Andrew Bartlett at

CITY RECRUITMENT CONSULTANTS,
58 Houndsditch, London EC3A 7DL.
Tel.: 01-283 8787.

PENSION FUND INVESTMENT MANAGEMENT

£21,000 + Car + Benefits

THE JOB: International equity investment management within a small in-house team, being equipped with state of the art dealing and research technology. Working within a quantitative and performance orientated environment for the World's No. 1 Building Society with funds approaching £400 million.

THE LOCATION: Halifax – Commuter-free and outstanding value-for-money housing.

THE REQUIREMENTS: Late twenties, graduate and/or professionally qualified, at least three years experience *managing/researching equities, preferably including international markets.*

THE REWARDS: *Competitive salary, company car, subsidised mortgage, BUPA, life assurance and removal package.*

Please apply (reference PF) with a full c.v. to: General Manager, Personnel and Services, Halifax Building Society, Trinity Road, Halifax HX1 2RG, West Yorkshire.

HALIFAX

An Equal Opportunity Employer

Business/Research Analyst
Mining Industry Research and Consultancy

Independent, international consultancy with a multi-disciplinary approach to metal market and related business analysis has an immediate requirement for a recent graduate to contribute to our work on competitive strategies in the *mining industry*.

The successful candidate will be able to analyse data from a wide variety of sources and have excellent writing skills. Familiarity with computer spreadsheet and database applications will be a distinct advantage.

Send applications, with curriculum vitae and example of written work to:

HUW ROBERTS
Metals and Minerals Research Service Ltd,
Outer Temple,
222-225 Strand,
London WC2R 1BA.

MANAGING DIRECTOR

Sought for Sewing Thread Company based in North West. Turnover currently in the region of £6 million with great potential, excellent salary and benefits for the successful applicant.

Write box A0708, Financial Times,
10 Cannon Street, London, EC4P 4BY.

Marketing Co-Ordinator

Fund Management Services

City **Highly Competitive Salary and Benefits Package**

PDFM

Are you using your City financial marketing skills to best advantage?

PHILLIPS & DREW FUND MANAGEMENT LTD (PDFM) is one of the UK's largest fund management groups. As part of our continued expansion, we wish to recruit a Marketing Co-ordinator to assist our directors and executives in marketing our services to clients.

Your responsibilities will include managing our advertising and conference activities, co-ordinating our internal communications and media contacts and assisting with the development of new business.

Ideally aged around 30, with highly developed communication skills, you will have a background either in financial services, or marketing combined with fund management experience.

The remuneration package includes a highly competitive salary as well as bonus, mortgage subsidy and other City benefits.

If you have the motivation and professionalism to respond to this challenging position, send your cv to:-

Isabel Doverty,
Recruitment and Development Manager,
Phillips & Drew Limited,
120 Moorgate,
London EC2M 6XP

Telephone 01-628 4444

A MEMBER OF THE UNION BANK OF SWITZERLAND GROUP.

BANK LENDING

MARKETING EXECUTIVE FOR BUSINESS DEVELOPMENT

Salary negotiable circa £20,000 plus car, other benefits and bonus potential

Greyhound Guaranty Limited, a wholly owned subsidiary of The Greyhound Corporation is a London-based bank undertaking consumer finance and commercial lending in the property and business sectors. It is seeking to add to its marketing team an active and enthusiastic individual who will personally undertake new business development. The job requires good negotiating skills together with a sound general banking background, including credit assessment experience.

Applicants for this position should send details of their qualifications and experience indicating current salary to Ms. P. Taylor, Human Resource Manager, Greyhound Financial Services Limited, 11 Albermarle Street, London W1X 3HE.

GREYHOUND.

CORPORATE BANKING EXECUTIVES

Interested in working for a rapidly developing Scottish Bank which can offer exciting career paths to strong performers?

The continuing expansion of the Bank's industrial and commercial customer base has created opportunities for bright, ambitious individuals to join our Corporate Banking Department in Edinburgh.

The successful candidates in the 25–32 age range, will be graduates or have an AIB qualification, with a background in the marketing of financial services. They will have excellent analytical and communication skills, be self-motivated and have experience in business development and negotiating with clients at a senior level.

The salaries for the appointments will be commensurate with the qualifications of the successful candidates and will be supplemented with the usual benefits associated with a major banking group.

Written applications with CV should be addressed to:-
Mr A D Scott, Head of Personnel, TSB Scotland plc, Head Office, PO Box 177, Henry Duncan House, 120 George Street, EDINBURGH EH2 4TS
Closing date for applications: 11th November 1987

TSB BANK

Currency Consultant

Corporate Treasury Services

City **to £24,000 plus car**

This independent, long established and professional financial institution provides a wide range of innovative financial services. One of these is the provision of a currency management service to a broad cross-section of corporate clients. There now exists an outstanding opportunity to join this Group as a Currency Consultant.

Reporting to the Currency Services Manager, the successful applicant will be responsible for the day-to-day contact with clients regarding movements in the foreign exchange markets, forecast changes and economic factors. You will also advise clients on exposure hedging strategies and provide a currency dealing service to implement policies.

Applications are invited from candidates, aged between 25 and 35, who possess the relevant experience in a corporate treasury or financial services environment and can demonstrate excellent inter-personal skills. A financial qualification would be an advantage.

The excellent remuneration package includes a company car, bonus scheme, contributory pension and health insurance. Prospects for career progression are only limited by personal commitment.

Interested candidates should send a comprehensive curriculum vitae, enclosing details of current salary and a daytime telephone number, quoting reference LM629 to Andrew Sales FCCA at Spicer and Pegler Associates, Executive Selection, 13 Bruton Street, London W1X 7AH.

Spicer and Pegler Associates
Executive Selection

BANK OF WALES

FINANCIAL CONTROLLER

The continuing expansion and ongoing development of this successful group has created the need for a high calibre Chartered Accountant for this challenging position having experience in a banking environment.

Based at the Head Office of the Bank in the centre of Cardiff the successful applicant will head a small team responsible for the production of statutory annual and half-yearly accounts, management and accounting information, returns and reports for monthly meetings of Directors and will be closely involved in the development and implementation of new accounting procedures and controls in an expanding group.

A member of the Bank of Scotland Group, Bank of Wales retains its own listing on The Stock Exchange and has gross assets in excess of £115M.

The remuneration package offered will be commensurate with the qualities demanded and will include profit sharing, share options and mortgage subsidy.

Please write in confidence with full CV to:–

Mr G Rees, FCA
Company Secretary
Bank of Wales PLC
114/116 St Mary Street
CARDIFF
CF1 1XJ

BANK OF WALES
BANC CYMRU
A member of Bank of Scotland Group

FLEMINGS

STOCK EXCHANGE EQUITY TRADERS

Due to Flemings' expansion, opportunities have arisen for experienced equity traders. The successful candidates preferably aged 20–30 should have a minimum of 2 years' Stock Exchange trading experience in Securities.

A full salary package commensurate with relevant experience is available.

Applicants of either sex should write enclosing their CV to:-

Frank Smith
ROBERT FLEMING & CO. LIMITED
25 Copthall Avenue
London EC2R 7DR

GILTS SALESMEN

COMPETITIVE PACKAGE

Due to the growth of activity in the Gilts market and an increase in the demand for experienced staff, we are actively seeking Gilts Salesmen at all levels.

Several of our clients, major U.K. market players, have immediate opportunities for applicants with a minimum of 5 years experience and would welcome applications from Salesmen currently at Assistant Director level.

Please contact Carolyn Obbard on 588 4224.

All applications will be treated in the strictest confidence.

18, Eldon Street, Moorgate, London EC2M 7LA. Tel: 01-588 4224

CAPITAL FUTURES
RECRUITMENT CONSULTANTS

BIRMINGHAM SENIOR SETTLEMENT STAFF

Birmingham Stockbrokers Margetts & Addenbrooke who are members of the National Investment Group, require Senior Settlement Staff.

Salary and other generous benefits will depend on age and experience.

Re-allocation expenses to successful applicants from outside the Birmingham area would be favourably considered.

Applicants will be treated in the strictest of confidence and should be in writing marked "Private and Confidential" to:—

G. A. Harvey,
Margetts and Addenbrooke,
York House,
38 Great Charles Street,
Birmingham B3 3JU.

CITY PROFESSIONAL ? SEEKING CHALLENGE ? SALES ABILITY ?

The Sterling Publishing Group Plc requires three top flight career minded sales executives to work with existing sales team in their Financial Publications Division. With a working knowledge of the City, must have the ability to negotiate at Director level and possess first class telephone manner. Based in Central London you can realistically expect to earn in excess of £30k in your first year. For an interview appointment telephone

Dennis Wood on 724 2088.

International Appointments

SULTANATE OF OMAN

MANAGER — CREDIT

A rapidly expanding Commercial Bank in Oman, with over thirty branches, wishes to recruit a Credit Manager.

We seek a committed and enthusiastic young Banker to head up the credit function, and to contribute to the development and training of the Bank's Omani staff.

Reporting to the Chief Executive, the position offers good career prospects and competitive terms. It is anticipated that this position will appeal to Bankers in the 33-38 age range, who have a strong formal background in Credit Assessment and Financial Analysis.

CV's, to be received by 10 November 1987, should be sent to:

Miss C D Hawksworth
CHERYL HAWKSWORTH LIMITED
Collier House, 163-169 Brompton Road, London SW3 1HW
Tel: 01-589 4567 — Fax: 01-581 8933 — Telex: 919924 Collie G

International Appointments

Danish Maritime Institute

The **Danish Maritime Institute** invites applications for the position of

DIRECTOR

DMI is a non-profit, self-supporting institution affiliated to the Danish Academy of Technical Sciences. Its activities include ship- and ocean engineering, wind engineering, computations, modeltesting and field measurements, for 75% conducted on purely commercial terms. Turnover stems for 60% from business in Denmark, for 40% from abroad. New developments presently under way: Application of an advanced CAD system—Styrbjorn, a Digital Image Generating System for ship manoeuvring studies, development programs for yacht design and fishery technology. Studies on numerical aero- and hydrodynamics.

The successful candidate should have an engineering degree at M.Sc. level or equivalent and have a firm knowledge of the maritime business in N.W. Europe, with emphasis on experience related to shipbuilding and ship operations. His qualifications allow him to direct the institute's commercial activities professionally and—with support from the institute's research staff—to formulate its long-term development. Knowledge of Danish is desirable, but may be acquired, good knowledge of English is a requirement.

The director is solely responsible to a non-executive board of eight. Salary conditions are excellent.

Applications should be sent with detailed Curriculum Vitae before November 15, 1987 to

Danish Maritime Institute
Hjortekaersvej 99
2800 Lyngby
Denmark

For the attention of Hans P. Steenfos, Chairman of the Board.
Further information can be obtained from G. S. Rodenhuis or B. Pedersen, phone (+45) 2 87 93 25.

International Capital Markets

Leasing – Paris

A leading European investment bank is seeking to fill a newly created position within its International Corporate Finance Department. The position will have responsibility for researching, developing and marketing tax/asset related financial products. The position is based in Paris, but will require frequent travel.

The successful candidate will be an engineering and/or MBA graduate in his/her early to mid-thirties and will have a minimum of five years excellent track-record in equipment leasing, preferably cross-border. Applications with experience in zero-coupon bonds or asset-backed securities will also be considered. Experience in computer modelling will be a plus. A high degree of motivation is an absolute must, as well as a strong inclination for new product development, aggressive marketing of these products and team-playing.

The position commands an attractive basic salary according to age and experience. In addition, there is a significant bonus scheme for a real deal maker, pension and other benefits. For further information please forward your résumé quoting ref 4535 to: Shelia Stephenson, Moxon Dolphin & Kerby Ltd, 178-202 Great Portland Street, London W1N 6JJ. All replies well be forwarded to our client – please indicate any companies to whom you do not wish your application sent.

MOXON·DOLPHIN·KERBY
EXECUTIVE SEARCH & SELECTION

Investment Manager

Middle East Tax Free Salary

Our client is a leading Middle East corporation founded in 1950 with a turnover in the region of US $550 million. A certain amount of the company's resources has been allocated to a fund which has been invested internationally in equities and fixed interest instruments with the objective of liquidity as well as a maximum rate of return. They now need an Investment Manager to advise on investment policy, to measure and evaluate the performance of bonds and equities and to actively manage the internal element of the fund.

Reporting to the Vice President Finance, the successful candidate will have responsibility for advising the company on overall investment policy including currency and asset allocations.

An experienced multi-currency Investment Manager, with at least seven years' practical experience of managing balanced portfolios, you must have a sound understanding of the equity and fixed income markets.

A negotiable competitive compensation package is offered including base salary, furnished accommodation, medical and other benefits. The position is located in a stable and cosmopolitan part of the Middle East.

Please write, with full c.v. to,
Personnel Department,
10 Albermarle Street,
London W1X 3HE.

B.S.F.E.

Banque de la Société Financière Européenne

One of the major international merchant banks with offices in Paris, London and New York is seeking to strengthen its project team and is offering opportunities in :

Project Finance

to young international bankers.

They will be responsible for analysing projects on a technical and financial basis, will be involved in structuring financings and in the preparation of their documentation. Additionally, they will actively contribute to the Department's marketing activities and assume client relationships.

Applicants, preferably aged between 27 and 35, will meet the following requirements :

- MBA degree or equivalent. A second degree in engineering or MSc would be an asset.
- Approximately 3-6 years international banking experience preferably in one or more of the following sectors : oil & gas, mining, alternative energy, project finance, LBO/MBO.
- Fluency in English. Working knowledge of French a plus.

Positions are available in Paris. Opportunities to work in London also exist.

Remuneration package is attractive, motivating and commensurate with experience.

Applications with detailed curriculum vitae and salary to date will be treated in the strictest confidence and should be sent to : Mr J. Lhopiteau - Personnel Manager B.S.F.E. - Banque de la Société Financière Européenne - 20 rue de la Paix - 75002 Paris, France

HAVAS CONTACT

ASSISTANT PROGRAMME DIRECTOR

(BANKING AND FINANCE DIVISION)

Management Centre Europe

(MCE) is Europe's largest management development organisation. We offer a wide range of management programmes designed to meet the development, information and training needs of client managers. We make available and develop the latest management techniques and help managers adapt to the changing environment.

The rapid expansion of our Banking and Finance Division has led to the need for someone to help maintain the momentum. Responsibilities include planning, organising and running a range of management training and information programmes.

The **Assistant Programme Director** (m/f) should be a well organised individual with the communicating skills and maturity to interact effectively with top executives from all over Europe.

Aged 25-35 with MBA or equivalent, you should be fluent in English, entrepreneurial, with 3 years finance experience in a corporation or financial institution. An excellent salary is offered with the opportunity to demonstrate your entrepreneurial abilities in a stimulating multi-cultural environment and to be an important contributor to the organisation's success.

Please write enclosing a curriculum vitae to
Mrs J. Merciox, Personnel Manager, rue Caroly 15,
B-1040 Brussels (Belgium).

Brussels

Television/Christopher Dunkley

Awards for helping others help themselves

On the one hand there are, of course, too many television awards. If the BAFTA Awards, the RTS General Awards, the RTS Journalism Awards, the Broadcasting Press Guild Awards, the TV and Radio Industries Club Awards, the TV Times Awards, and the Writers' Guild Awards were amalgamated the result would surely be a single set of awards for which recipients and public might have considerable respect. But that is in the area of general awards.

On the other hand the proliferation of specialised awards - for programmes about medicine, wildlife, science fiction, and dozens of other categories - may well be a good thing. The idea here is to raise standards in specific areas and broaden public awareness of particular topics, and since this column results from yet another such set of awards, it could be argued that the process is clearly working, to some extent at least.

The One World Broadcasting Trust (OWBT) is an organisation set up as a charity earlier this year with the purpose of promoting greater understanding between the peoples of the developed and developing countries through broadcasting and related educational activities. The patrons include such luminaries as Lord Bonham Carter, former vice chairman of the BBC, Sir Shridath Ramphal, secretary general of the Commonwealth Secretariat, and Lord Seebohm, former chairman of Barclays International and the Rowntree Trust. The director is Johnny Wilkinson, who began his career with the Nigerian Broadcasting Corporation, moved to the BBC World Service, and spent nearly 10 years as the BBC's Director of Public Affairs.

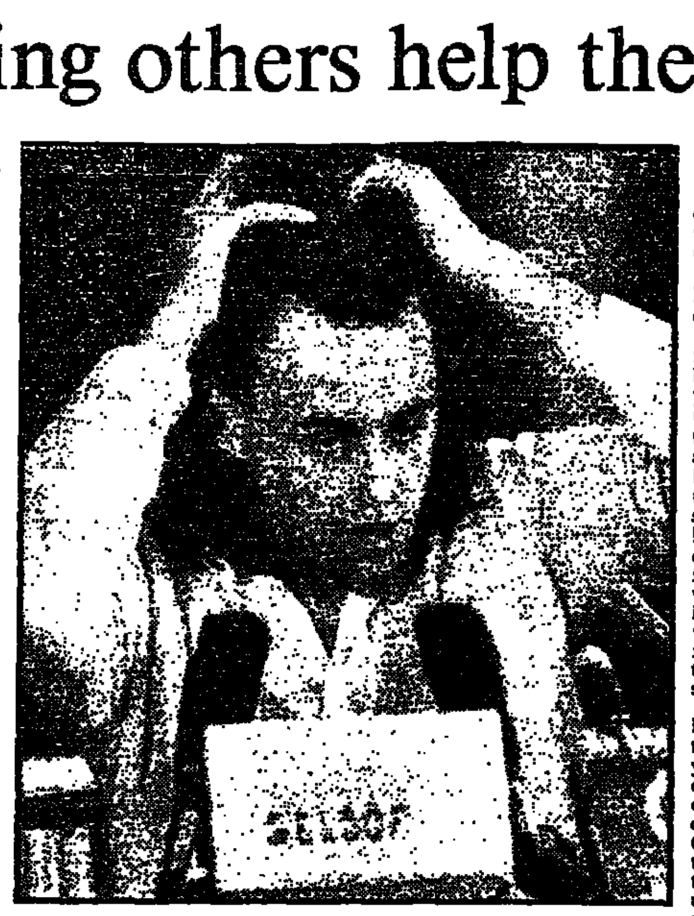
Noting that "the provision of training for third world broadcasters has steadily diminished over the last 30 years", the OWBT declares that it aims in the long term to give financial support to projects that will improve programme quality through the provision of seminars and professional training for broadcasting staff from developed and developing countries, and through measures that will improve professional understanding and co-operation between them.

Its first public act has been to organise an annual symposium where awards will be presented for the best programmes in this field. For this first year the awards are limited to British television programmes, and they will be presented by Prince Hassan of Jordan at a day conference in London on 25 November. Last week I sat on the jury which chose the winners, and although the results are a secret the lessons learned from that jury are not.

There was, first of all, the sheer quantity of programmes available to compete. Professional critics tend to assume they have a pretty shrewd idea of what is happening in their area, but this contest proved that nowadays you can spend 30 or 40 hours a week watching television and still have only the sketchiest idea of the total output in a field such as this.

Of course I had already seen some of the entries from big-budget series produced by major broadcasters, such as Central's *Viewpoint Special*, Granada's *Disappearing World*, and the BBC's *Heart Of The Matter*, all of which have been reviewed in this column. But there was so much more. Entries varied from two *Blue Peter* extracts (one six and a half minutes, the other three and three quarters) following up the Ethiopian famine, via a 25-minute Open University programme on *Strategies For Change*, to a two-hour film about the lives of children in different parts of the world made by UNICEF and shown by ITV. Thus the first problem, as with every other awards jury, was not so much that of judging between apples and oranges - a relatively easy task - but between apples and motorbikes or oranges and astronomy.

Secondly, there was the embarrassing matter of tone and attitude. Occasionally we saw a programme such as Channel 4's *No Easy Walk* which was intent upon wagging its finger at us for the supposed sins of our supposedly colonialist grandparents, and that was irritating, but at least open and obvious. Most of the entries, whether about deforestation, famine or land reform were well meant, yet in an awful lot of cases there was a much less obvious, but still definite message that the "problems" suffered by people with brownish or yellowish skin would be "solved", *could* only be solved, by pinko-grey people. That this message was tacit, and frequently conveyed in pictures rather than words, made it no less forceful.



Bob Geldof

No doubt this attitude would be absent from, or less noticeable in, programmes emerging from the developing countries themselves, and in future years the OWBT is expecting to include such programmes in the competition.

The third point was the ubiquity of Bob Geldof. Hardly anybody can have been unaware of the frequent television appearances of the philanthropic pop star since his efforts via Live Aid and Band Aid. But only by sitting down and methodically going through programme after programme do you begin to realise just how frequent and widespread his appearances have been.

We saw him in the desert in *Africa Tomorrow*, trudging forward stony faced, swathed in a turban like Lawrence. We saw him in didactic mood in the *Blue Peter* studio. We saw him in an ITV schools programme called *World Development* ticking off Mrs Thatcher for helping build butter mountains instead of feeding the starving. She claimed that butter was not much use to the starving and was told brusquely by Geldof that butter-oil was.

You began to wonder rather tetchily whether it was possible to make a programme about famine *without* Mr Geldof. Then you realised that for television he must be a godsend: a charismatic, blunt speaking young man from the pop world, recognised and admired by millions of teenagers. Not to put too fine a point on it, while another shot of starving black babies might turn many viewers off, the sight of Geldof being rude to his elders could well turn them on.

Fourthly, but most important by far, was the way in which an artificial concentration of programmes such as this telescoped a whole sequence of attitudes and conclusions previously experienced only in a piecemeal way. After the first four entries you were impressed by the brave new world of television in which we live; a world where each of us, from school child to OAP, can become instantly aware of tragedy in some distant land. Our grandparents would have learned of those starving in Ethiopia long after they had died, if they heard at all.

Then came the saddening realisation that, despite this technological miracle, we have not progressed that much: though television shows us the famines, the desertification, the floods and so on, our reactions have been mostly emotional and short term, resulting in stop-gap measures which - while numerous lives may be saved - make little difference in the long run to the fundamental inequalities of the world. As the better programmes indicated, long term aid for development is surely the thing, rather than mere famine relief: the artesian well rather than the sack of rice.

But finally, with some of the best programmes in the competition, came the distressing and yet fascinating realisation that even long term development aid of this sort may turn out to be counter-productive. In the BBC's *Only One Earth*, we saw how the sinking of new wells can lead to nomads settling down, rapidly using up every scrap of wood for miles around to make cooking fires, and thus causing desertification.

And after watching Adrian Cowell's astonishingly detailed and assiduous study of Rondonia in *Viewpoint Special: Banking On Disaster*, you actually began to wonder whether there is any sort of aid which is not, in the end, inimical to long term local interests. Certainly Cowell's account of the road being driven through the Brazilian jungle suggested that it harmed the Indians, the flora, the fauna, the climate, and the long term prospects for cash crops of rubber and brazil nuts.

Despite all that I did not come away from the jury in deep depression. To see all may not be to understand all, but it is a good start, and the best of these programmes are among the best things of any sort on television. When Prince Hassan announces the award winners next month, he will be naming people who really have dedicated their lives to their programme making, and for once every superlative at an awards ceremony will have been honestly earned.

A Collier's Friday Night/Greenwich

Martin Hoyle

However much his reputation as a novelist may wax and wane, D.H. Lawrence has in recent years emerged as a beautifully observant and finely crafted playwright. John Dove's loving production illumines the individual and guarded territory that Lawrence carefully concedes each character, along with dignity, and the result is a tightly-woven tapestry of relationships in a real community; one of those rare occasions when you feel these people have existed before the curtain rose and that their lives will continue after you leave the theatre.

Ritual and routine form the basis of these few hours observed in the Lambert household. The exhausted, already slightly drunk, miner father nodding somnolently through supper, his grumbles cheerfully parried by his wife; the student son, his mother's idol (shades of *Sons and Lovers*), home for the weekend, explaining the new technology of the fountain pen, to his father's wondering workmates; Friday-night shopping; "The Maiden's Prayer" played haltingly on the piano from the next room; shocked gossip of those badly-managed households where the *father* makes the beds.

Occasionally the camera zooms in and focus tightens. Mrs Lambert has bought pine-kernels since Ernest has picked up faddy food habits at college; the young man reads French poetry to blushing Maggie on the sofa; and the mood sours from time to time, notably in the bitter rage of the father, slighted and suspicious, disregarded in his own home, and the scenes between him, his wife and son. Alfred Lynch never forfeits our sympathy for the wounded pride of the manual labourer. And in a scene made memorable by Annette Crosbie's restraint and delicate shading the mother pours out her hurt resentment at how her adored son is growing away from her.

Neither of these strongly emotional eruptions disturbs the feeling of continuity. The play ends with Mrs Lambert laying the table for breakfast, blowing out the candle, extinguishing the oil lamp. The family - the community - lives to fight, love and make peace again.

Kenny Miller provides a detailed pre-Great War kitchen, an appropriate background for this glimpse of a lost society. Neil Dudgeon's Ernest leads the younger generation. The girls are extraordinarily high-spirited, sensible and despite everything resiliently optimistic - especially Claire Parker, charming with no-nonsense cheerfulness as the daughter of the house, and Claire Hackett, embarrassed, shy and enthralled as Maggie - the forward hussy whose obvious affection arouses the other girls' derision. As if *they* would be quite so transparent...

Romeo and Juliet/ Young Vic

Claire Armitstead

The teen-dream that is Romeo and Juliet finds a freshness in David Thacker and Jeremy Bell's modern dress production that will undoubtedly breathe new life into many an old school textbook. Here is an interpretation that evokes parental opposition of the most murky sort without allowing it to divert attention from the white light of adolescent infatuation.

The theme of consummation looms over the production from our first introduction to Richard Hew's tousle-haired Romeo tangled up in his duvet, dreaming of his latest love, to Juliet's death, pressed to her lover's corpse in a parody of sexual fulfilment. It follows that the meal figures prominently - whether guzzled down at the local pasta joint by Richard Graham's bullet headed Benvolio, or tactically considered by a faintly sinister Capulet.

The undertones are of a mafia style connection - Capulet wooing John Cagan's smooth, Americanised Paris in a courtship that ends with the striking of the marital deal around the family table, Jane Maud's effete, elegant Lady Capulet looking on. Neither consumption nor consummation are allowed to Romeo and Juliet who spend their wedding night apparently lounging on the balcony as if they have never quite managed to get beyond the snogging stage. What is lost in animalism is gained in a sense of frenetic excitement emanating chiefly from 21-year-old year old Sarah-Jane Frenton who makes a fascinating debut. Her Juliet is waif-like, framed by a frizzy bob, with a vibrance that informs every muscle.

Richard Hew answers her incandescence with a Romeo like a boy out of a teen-age magazine. He is sincere, pretty and questioning, with a tendency to gabble in excitement that becomes a tendency to blub in despair. In one of the best scenes he decants his yearnings to Rudolph Walker's worldly Friar Laurence invoking a sonorous displeasure that culminates in the Friar's expletion, "Holy St. Francis" enunciated in a broad Jamaican accent.

Interestingly the balance of aggression in the production flows towards the Capulets: Anthony Wellington's Tybalt lurks on the balcony, knife flashing, like a hired man, while Mercutio (John Elmes) taunts him with an aristocratic insolence which is actually fairly impotent either in the face of Tybalt's viciousness or the Miss Piggyish fluster of Annette Badland's nurse.

Paul Roberts/Purcell Room

Max Loppert

Paul Roberts is an accomplished, intelligent pianist who compiles shapely recital programmes and delivers them with distinction. Monday's focussed itself on Debussy (who is this pianist's particular devotion), but mainly as influence on his successors - three of the studies were the sole Debussy contribution to the evening. Along with them, Bartok, Falla, Severac and Albeniz made up a selection of music that was not just "consecutive" in interest but intensely enjoyable in each of its parts.

A pianist who includes in a single concert the Bartok Suite, the Falla *Fantasia baetica*, Deodat de Severac's fragrant, affectionate little suite *En Vacances*, and Albeniz's *Rondena* as the closing attraction may not insure himself a huge audience, but he certainly proposes themes, textures, and styles that link and contrast in rewarding and pleasurable ways. In the Falla Mr Roberts's shaping of the proud flamenco song-infusions was not quite spacious enough, and it lacked those "speaking" vocal inflexions which can add extra dimensions of colour and dramatic nuance; the domestic aspects of the little Severac piano-pictures tended to be slightly brusquely treated. In general, though, the outlines of the playing remained admirably crisp and clear throughout the recital (and in the Purcell Room, with its horrid acoustics, that is an achievement to be proud of indeed).

Another of Mr Roberts's special interests is the music of *Maurice Ohana*, that senior French composer of strikingly individual cast and character, ever independent of clique or fashion, who owns Debussy and Falla as his most significant musical ancestors. On this occasion four pieces from the second book of Ohana's *Etudes d'interpretation* (1985)were receiving their British first performances. Like Debussy's studies, these fix upon, analyze, and define during their course a particular interval or musical technique. Ohana's study on seconds, for instance, is no more than a breath away from the world of late Debussy - astringent, glittering, rhythmically volatile.

But, as in so much of Ohana's music the sounds of exotic non-European music (Ohana was born in Morocco) are also "dans le vent." In the study "for free counterpoints," a brilliant piece of virtuoso writing, the lines develop independent rhetorical flourishes like the arabesques of North African holy chant. Once again one was given cause to wonder why this composer's piano music is not more widely performed (Cherkassky, for instance, would make magic of these studies) - and, since it is not, to be grateful for Mr Roberts's authoritative advocacy.

Giordano's 'La cena delle beffe'/Wexford Festival

David Murray

Wexford is the Irish Glyndebourne: not a provincial cousin nor a cut-rate imitation, but an Irish-Sea-changed festival just as attractive. They both cultivate evening dress, but it is unknown for a Glyndebourne audience to mingle argumentatively after a performance with the locals in Lewes (even though some of those will have got into the dress rehearsals); nor is there a Wexford parallel to the smugly respectful confidence of a Glyndebourne audience - even if more and more of that audience are uncertain what they're watching or who composed it, until at least the end of the dinner-interval - that they are consuming opera of a high standard.

For the Wexford Festival is devoted to practically forgotten operas, and also to fairly new singers who may deserve to be remembered: the audience which pays substantially to come reacts unabashedly to what it hears, without any prior assumption that it *must* be good. It is as near to a live, honest opera-audience as you are likely to find in these isles. The Festival programme, deftly planned each year by Elaine Padmore, responds in style through hard delving for revivable or at least exhumable stuff, sympathetically matched singers and some roles for the locals (if soloists are thin on the ground, room can always be found for a children's chorus). Rounded off by the delights of Wexford itself - its bibulously convivial atmosphere (expansive, un-British licensing hours), its excellent seafood and its engaging people - the Festival easily surmounts the minor drawback of incessant soft rain.

In fact last weekend was dry and even sunny, a superfluity of delight which may slightly have weakened the operatic spell. At any rate the merits of this year's Festival operas struck me as inversely proportionate to the virtues of their productions: rewarding Bellini and - maybe - Massenet, palely realised (more about them in a later article) sleazy Giordano played to the hilt.

Giordano is chiefly remembered, and infamously, for his *Andrea Chenier* of 1896, and measurably less for his *Fedora* of two years later. But he lived for another half-century; and halfway through it he composed *La cena delle beffe*, a "Banquet of the Jesters" which represents *verismo* opera at its Grand Guignol fag-end. His evident gift for film-music of the genre that Korngold and Rozsa were to practise better is here yoked with an "operatic" style consisting mostly of leather-lunged Puccinian echoes. The lurid melodrama, with a twist in its tail, requires fortissimo hysterics above all, commanding applause but nothing more.

Given the musical terms of the piece, it was cleverly cast at Wexford. The tenor Fabio Armiliato - vulpine face, prehensile eyebrows and brave decibels (excellent pitch, too) - made a memorable little horror of the anti-hero Giannetto, doubly humiliated by the brutal Neri who has not only recaptured a mistress from him but literally branded him to boot. If Luis Giron May's Neri never visibly suggested so dangerous a disposition, nor therefore his radical wreck at the end, he sang with intelligent, full-voiced passion (he can surely ornament many straighter and more decent roles). Ginevra, the mistress in question, was voluptuously sketched by Miriam Gauci.

There were neat cameos of Neri's lubricious but luckless brother by Philip Doghan, of Giannetto's conniving servant and Ginevra's conniving maid by David Barrell and Kathleen Tynan, of a fanatic Doctor by Giancarlo Tosi, and of the Florentine host of the banquet where Giannetto's revenge begins by the visiting Russian bass Mikhail Kruttikov. The key minor role - one of Neri's ladies, cast off but still besotted - went to Alessandra Marc, whose opulent soprano dominated the octet in which she was first heard (at some cost to one of Giordano's brightest inventions), and later reinforced that magnificent impression: much more will be heard of her.

Amid Joe Vanek's suitably grim, suggestive decor, Patrick Mason gave the action a suitably nasty edge - granted Giron May's invincibly amiable monster, offering curly-blond innocence where we wanted irrational menace. Albert Rosen handled the crowded climaxes of the score with suave conviction.

Fervid stuff and fun, but specious: the twists of the action forbid serious revelation of character or feeling, and Giordano's muse is only too happy to take the easiest, loudest ways out. It was salutary to have the Finnish baritone Jorma Hynninen turn up at the Festival for an afternoon recital, in which - with Ralf Gothoni's brilliantly accomplished piano-partnering - he fixed a level of cool but wrenching intensity matched by none of the concurrent opera. Their Sibelius songs were masterly (Gothoni rendered the awkwardly orchestral piano-parts with sharp dramatic power as well as deceptive fluency).

If they stretched and warped Schumann's *Dichterliebe* cycle to Expressionist dimensions, striking but far-fetched, Hynninen's devoted treatment of several Vaughan Williams "Songs of Travel" was exemplary. Somehow he transformed the mawkish English into something pungently musical, and blessedly unintelligible without being plain wrong. "Biuty" and "yuth" turn out to have a lot to recommend them in this dicey Edwardian context, where the sentiment is best salvaged by suppressing the sense.

Maurizio Pollini/Festival Hall

Dominic Gill

For several years now, each Pollini recital I have heard has been more perplexing than the last. He is today no more than a fraction of the great artist he once promised to become: and yet he still draws near-capacity audiences for recitals in the Festival Hall. And yet, and yet...that extraordinary promise still seethes below the surface of the music-making. Pollini performances may not be likeable; they may not even be particularly striking or effective; but they have a potential (and a general air of authority implicit in the command and fluency of the playing) which promises at any moment to burst into copious flower. Their promise, past and present, tends thus to be a double disappointment: for bursting into flower - or even thrusting forth a tentative colourful petal or two - is something these days which Pollini performances almost never do.

He opened his programme on Monday with an all-Chopin first half. I admired its precision and accuracy, and in a way also its purity - but it was not great Chopin playing: it lacked too large a dimension of drama, of dramatic edge and focus, for that. By chance, on the way to the recital, I heard Sviatoslav Richter on my car radio playing Chopin's C sharp minor Scherzo; half an hour later, live on stage, Pollini played the same piece. The contrast was immense, and instructive - a matter of a score of tiny nuances whose effect adds up to an irresistible dramatic presence. Richter plays the notes slightly better, although not significantly better, than Pollini; but his performance is stratospheric, streaming with fire, where Pollini's remained stubbornly earthbound.

Pollini is in some ways evidently more at home with the expressive syntax of Debussy than he is with Chopin's: but even in the rarefied sound-world of Debussy's *Etudes* he was not entirely at ease. I have rarely heard accounts of *Pour les tierces* or *Pour les quartes* in which the notes were so faithfully reproduced to such small-scale and reticent musical effect. On the surface, like all the rest, *Pour les accords* was admirably delivered - but without a grain of real exuberance; and by some extraordinary alchemy, Pollini managed to make *Pour les octaves* actually sound like the study it is not, rather than the brilliant concert waltz it is.

Arts Guide

October 23-29

Theatre

LONDON

Antony and Cleopatra (Olivier): Peter Hall's best production for the National Theatre he leaves in 1988 brings this great but notoriously difficult play to thrilling life, with *Judi Dench and Anthony Hopkins* as battle-scarred lovers on the brink of old age. Dench is angry, witty and ultimately moving. Best of the rest at the NT is Michael Gambon giving his finest performance as Arthur Miller's doomed longshoreman in A View from the Bridge; Juliet Stevenson in a fine revival of *Lorca's Yerma*; and David Hare's production of King Lear, Hopkins a massive gnarled oak, which gathers force and more friends as it continues in the repertoire (928 2252)

The Phantom of the Opera (Her Majesty's): Spectacular but emotionally nutritional new musical by Andrew Lloyd Webber emphasising the romance in Leroux's 1911 novel. Happens in a wonderful Paris Opera ambience designed by Maria Bjornson. Hal Prince's alert, affectionate production contains a superb central performance by Michael Crawford. (839 2244, CC379 6131/240 7200)

The Balcony (Barbican): Sadly dated and heavy-handed opening to the RSC's Genet retrospective, not helping to fight suspicions that the RSC, certainly in London, is stretched way beyond its creative capacities. Terry Hands directs, Farrah's set looks like a cheap pink brothel and the actors, a dull lot, clump around on high boots in big bulging costumes (628 8795)

Follies (Shaftesbury): Stunning revival, directed by Mike Ockrent and designed by Maria Bjornson, of Sondheim's 1971 musical in which poisoned marriages nearly *undermine an old burlesque reunion* in a doomed theatre. Four new songs, improved book by James Goldman. Cast led by Dolores Gray, Julia McKenzie, Diana Rigg, Daniel Massey. All good. (379 5399)

Melon (Haymarket): Alan Bates predictably good in new Simon Gray, clumsily directed by Christopher Morahan, about a jealous publisher viewed in flashback from a psychiatric ward after a breakdown. Menopausal mutterings, not vintage Gray. (930 9832)

Serious Money (Wyndham's): Transfer from Royal Court of Caryl Churchill's slick City comedy for champagne-swilling yuppies: how the Big Bang led to class tumult and barrow-boy dealings on the Stock Exchange. Hot and livid, but new cast deemed less good (836 3028, CC 379 6565)

A Small Family Business (Olivier): Brilliant new Alan Ayckbourn play about Britain on the fiddle in greedy times, selling out to foreigners and keeping it simultaneously in the family. A comedy thriller on the large scale, Ayckbourn's own production is led majestically by Michael Gambon. Best of the NT rest remains King Lear and Antony and Cleopatra at the Olivier, A View From the Bridge in the Cottesloe. The new Brian Friel adaptation of Turgenev's Fathers and Sons is decent but dull in the Lyttleton (928 2252).

Three Men on a Horse (Vaudeville): George Abbott's sprightly gambling comedy has transferred from the National. Geoffrey Hutchings in the lead now joined by Toyah Wilcox (836 9987).

NEW YORK

Fences (46th Street): August Wilson hit a home-run, this year's Pulitzer Prize, with James Earle Jones taking the powerful lead role of an *old baseball player raising a family* in an industrial city in the 1950s, trying to improve their lot but dogged by his own failings. (221-1211).

Cats (Winter Garden): Still a sellout, Trevor Nunn's production of T.S. Eliot's children' poetry set to trendy music is visually startling and choreographically *feline*, but classic only in the sense of a rather staid and over-blown idea of theatricality. (239 6262).

42nd Street (Majestic): An immodest celebration of the heyday of Broadway in the 1930s incorporates gems from the original film like Shuffle Off To Buffalo with the appropriately brash and leggy hoofing by a large chorus line.(977 9020).

A Chorus Line (Shubert): The longest *running musical in America* has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its backstage story in which the songs are used as auditions rather than emotions. (239 6200)

La Cage aux Folles (Palace): With some tuneful Jerry Herman songs, Harvey Fierstein's adaptation of the French film manages barely to capture the feel of the sweet and hilarious original between high-kicking and gaudy chorus numbers. (757 2626)

I'm Not Rappaport (Booth): The Tony's best play of 1986 won on the strength of its work-of-mouth popularity for the two oldsters on Central Park benches who bicker uproariously about life past, present and future, with a funny plot to match, (239 6200)

Les Miserables (Broadway): led by Colm Wilkinson repeating his West End role as Jean Valjean, the magnificent spectacle of Victor Hugo's majestic sweep of history and pathos brings to Broadway lessons in pageantry and drama, if *not strict adherence to its original* source. (239 6200)

Starlight Express (Gershwin): Those who saw the original at the Victoria in London will barely recognise its American incarnation: the skaters do not have to go round the whole theatre but do get good exercise in the spruced-up stage with new bridges and American scenery to distract from the hackneyed pop music and trumped-up silly plot. (586 6510)

Me and My Girl (Marquis): Even if the plot turns on ironic mimicry of Pygmalion, this is no classic, with forgettable songs and dated leadenness in a stage full of characters; but it has proved to be a durable Broadway hit with its marvellous lead role for an agile, engaging and deft actor preferably British. (947 0033).

The Mahabharata (BAM Majestic): Peter Brook's nine-hour interpretation of the world's longest poem *inspired the refurbishment of* an old Brooklyn vaudeville theatre to accommodate it for a three-month stay as part of the Brooklyn Academy of Music's New Wave Festival. Ends Jan 3 (947 5850)

WASHINGTON

Breaking the Code (Eisenhower): Derek Jacobi brings his role of Alan Turing to America. Ends Oct 31. Kennedy Center (254 3670)

Joe Turner's Come and Gone (Kreeger/Arena): Tony Award winning playwright August Wilson turns in this play to a rooming house at the turn of the century where black people conjure up spirits that connect them to their heritage. Ends Nov 22 (488 3300)

All the King's Men (Arena): Adrian Hall's adaptation of the Robert Penn Warren novel explores the assassination of a demagogue during the Depression with music by Randy Newman., Ends Nov 22. (488 3300)

CHICAGO

Red Noses (Goodman): The American premiere of Peter Barnes' medieval vaudeville comedy pits Father Flote (Ivar Brogger) against the plague with his remedy of humour. Ends Oct 31. (443 3800)

TOKYO

Les Miserables. After London and New York, now Tokyo and the Japanese version of the Tony-award winning musical. The cast was hand picked by the creative team of producer Cameron Mackintosh (from an astounding 11,500 hopefuls), then trained for nine months in a special 'ecole' and rehearsed by director John Caird. Costumes, set, sound, lighting have been supervised by the respective original designer flown in from London. Toho's Les Miserables is a triumph. The best production of a Western musical in Japan, it differs little from the orginial London version. Convincing and moving, this top-quality production shows what can be achieved with proper casting and training. Sponsored by the cosmetics company, Shiseido. Imperial Theatre, near Ginza. (201 7777)

Kabuki (Kabuki-za): The matinee plays are best. Excellent informative English earphone commentary and detailed programme notes. Kabuki-za, near Ginza (541 3131).

The Little Shop of Horrors: The original American version of the Off-Broadway musical stars Marsha Waterbury and Bert Hikes. It is produced by David Eastwood and directed by Victor Valentione. Theatre Apple, Kabuki-cho, Shinjuku, close to the town's liveliest night spots and in the heart of neon-city. (209 0222).

Saleroom/Antony Thorncroft

Basking frog top price

There seems to be a limit to the popular appetite for top class netsuke, the delicately carved toggles that the Japanese use to attach the inro (or purse) to the pocketless kimono. Christie's was selling the first part of the Bushell collection yesterday. It is one of the greatest in the world, and the morning session totalled £399,984 but with 23 per cent unsold.

Raymond Bushell is an American lawyer who has lived in Tokyo for over forty years. The Japanese do not greatly appreciate this art form but there are enough American and continental buyers to push prices for the finest examples above £30,000. Mr Bushell has a collection of over 1,600 netsuke, a third of which are going to the Los Angeles County Museum with the rest being sold by Christie's over time.

Top price yesterday morning was the £16,500 paid by the London dealer Eskenazi for a netsuke in the form of a basking frog on a log made by the late 18th century master Tomiharu, who founded the Iwami school of carvers. Eskenazi was the main buyer at the auction, acquiring the six most expensive items. The £12,100 he paid for a wooden netsuke of Nakasaina Sonja, an apostle of the Buddha, by Shoko, was a record for a 20th century netsuke, and over double its pre sale estimate.

A netsuke of an elongated monkey signed by Koku went for £11,000 and the same sum secured an ebony netsuke in the shape of a mole by Masatoshi, an artist who is still active.

Phillips had its best ever auction of art nouveau. An early bronze statuette of Salome by Carl Milles sold for £19,800 and an unusual Morris & Co "Hammersmith" hand tufted woollen and mohair carpet which was found in Adelaide South Australia made £17,600. Way above target was the £13,750 which secured a pattern and design book in the hand of Dr Christopher Dresser. Among the Old Masters at Phillips a Madonna and Child with St John attributed to a follower of Titian and estimated at under £3,000 sold for £20,900.

FINANCIAL TIMES

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Wednesday October 28

What the US can do

THE PROCESS by which Washington is to frame a response to the ringing messages of the financial markets worldwide was always likely to be protracted, painful and, above all, political. It is not helped by the undeniable fact that, at a critical juncture, nobody seems to be in charge.

Unless his statement last night acknowledging the gravity of the situation is a harbinger of better things to come,the only charitable description of President Reagan's performance over the last week is that it is has amply demonstrated his known limitations. Once the beneficiary of favourable circumstances, he appears to lack the capacity to handle adversity, and setbacks have been coming thick and fast over the last 12 months. There is, sadly, a fundamental inability at the top to grasp complex issues, not seen at a presidential level since Herbert Hoover. Historical comparisons with previously incapacitated chief executives like Woodrow Wilson may now seem relevant.

Relative reason

This fault was remediable so long as others ran policy for him. What is truly disturbing at present is that nobody else seems willing or able to carry the ball the President has fumbled. Both Bakers are being battered, Howard, the White House chief of staff, for not working everyday miracles with Congress, James, the Treasury Secretary, for having partly precipitated the market rout by engaging in a slanging match with the West Germans.

Yet they still represent the forces of relative reason, in contrast to, for example, Mr James Miller, the budget director, to whom, it seems, tax increases remain anathema. Mr Alan Greenspan is enduring a baptism of fire at the Federal Reserve and suffering, inevitably, unfavourable comparisons with his doughty predecessor, Mr Paul Volcker. Seasoned professionals, like Mrs Elizabeth Dole and Mr Bill Brock, are leaving the Cabinet to work on election campaigns.Once valuable intermediaries, such as Senator Bob Dole, must now be thinking more of personal political ambitions which may or may not coincide with the needs of wise government.

It also does not help that the Democratic-controlled Congress appears more keen on extracting a pound of humiliating flesh from the president - getting him to admit that he will do what he said he never would and agree to higher taxes - than evolving its own creative policy responses. It is, in any case, hung up on what many rightly consider to be a truly disastrous initiative, the omnibus trade bill, passage of which is hardly likely to inspire international confidence in the management of the US economy.

It is not constructive, however, merely to lament that Washington is beset by a power vacuum. Even at the most felicitous of times, policies are not made by waving wands but by recognising political realities, of which the most important is that there will not be enacted either spending cuts or tax increases of a magnitude which will together solve the US budget deficit at a stroke. Even in less traumatic circumstances where the threat of recession was absent, no sane politician with a future would seriously contemplate them in the year before a national election.

Limited options

In terms of practical politics the options really are quite limited, particularly if, as Mr Reagan himself says and Congress surely accepts, social security is off limits. The size of the US budget deficit is a matter of pure conjecture at present but it is not likely that cuts much in excess of the notional $23 bn mandated by the Gramm-Rudman process will come to pass (even this is a mix of spending cuts and small tax increases). History shows that raising taxes, or closing the most egregious loopholes, is never speedily effected, so powerful are vested interests. A spending freeze is being touted in some Administration circles, but more as a device for avoiding tax increases than for its inherent value.

What is needed is a realisation in the US capital that neither the nation nor the world can wait until a new President is installed for a coherent set of policies to emerge. Quick fixes rarely work, but Gramm-Rudman, for all its deficiencies, at least provides a starting point. This year's target must be met as a minimum, if government is not to cede policy-making to the markets entirely. Equally important is the recognitition that a managed decline in the value of the dollar, far from demonstrating a failure of national virility, may be the least of present evils. It might also be, given the present state of affairs in Washington, the softest political option.

More curbs on trade unions

A RECENT UK opinion poll by Gallup found no less than 71 per cent of the population thinking trade unions "a good thing" and only 12 per cent considering them "a bad thing." The royal family scarcely does any better. It may, therefore, seem an odd time for the Government to be taking what amounts to a fourth swipe at the unions in its Employment Bill, following the Employment Acts of 1980 and 1982 and the Trade Union Act of 1984. But whether the Conservatives can be charged with unprovoked assault and battery on a (presently) revered national institution depends on the purposes and likely consequences of the latest legislation.

Ministers portray the bill as primarily a tidying-up operation, amending and clarifying the previous three acts. In this sense, the intent can hardly be faulted. The Government's step-by-step approach to employment law reform has been a demonstrable success on two counts. First, the unions have been forced to accept the democratic disciplines of balloting and they now mostly admit, after all the kicking and screaming and marching and boycotting, that the medicine has done them a power of good. Second, the industrial odds have been made more equal. Most people, including many staunch trade unionists, now look back on the picketed hospitals and cemeteries of the 1978-79 "winter of discontent" and agree that the unions had grown too powerful and too unaccountable for their actions. It was right and proper that the unions' immunities should have been pegged back.

Industrial action

Much of the bill can be justified in this light. After Mr Arthur Scargill's apparently selfless surrender of his vote on the National Union of Mineworkers' executive committee, there is good reason to extend to non-voting executive members the election requirements of the 1984 act. After the shenanigans of some such elections and strike ballots, there are valid grounds for tightening the rules. After evidence of continued abuse of the closed shop, still an issue capable of arousing enormous passions, it is right that earlier restrictions should be added to by making it unlawful for unions to take industrial action to enforce membership agreements and by making dismissal for non-membership automatically unfair. Ministers still shy away from the seemingly logical step of declaring the closed shop illegal.

Yet there is one clause in the bill which looks suspiciously like kicking a union movement when it is down. The provision to prohibit unions from disciplining members who do not take part in industrial action, even after a lawful ballot, has given rise to a distinct feeling of unease among many of the Government's friends. The CBI, the Conservative Trade Unionists and even the libertarian Freedom Association see little point in the measure in view of the proposed curbs on the closed shop. There is, moreover, a strong argument against a government intruding in this way in the internal affairs of a voluntary association.

Essential services

What is more, the measure does not fit easily into the enabling framework constructed by the Government's approach. It smacks of more direct intervention in matters which are more properly dealt with at the workplace. For the fact is that, despite three acts and one more on the way, the real reforms in industrial relations practice are being hammered outon the ground: single-union, strike-free agreements, decentralised and performance-related pay systems and the now commonplace flexibility deals on skills and working time have all emerged from below. The Government's role, rightly, has been limited to creating the climate in which such positive developments can flourish.

If ministers do contemplate a fifth tranche of employment legislation, and they say they may, they should be clear that they are still fulfilling this role. If they are intent on being more interventionist, however, then perhaps they should dust off their shelved 1983 manifesto commitment to act on strikes in essential services. It does not look well to be laying down the law on the shopfloor in the private sector when prison officers are once again dislocating the penal system and when troops have only recently been doing the work of striking Welsh firefighters.

North Yemen is about to become a significant oil exporter. But, says **Michael Field**, there will be no bonanza for one of the Arab world's most primitive countries

An IMF policy without the IMF

THERE IS a joke about the Yemen Arab Republic (north Yemen) which used to be told by the late Egyptian President, Gamel Abdul-Nasser. It has God accompanied by an angel, visiting earth for the first time since the creation.

He looks down on a huge, rich, populous country and asks his companion where it is. He is told it is the United States. "How amazing," says God, "it has changed so much, I would never have recognised it."

He moves 10,000 miles eastwards and beholds a fertile river valley. Again he asks where it is and, on being told that it is Egypt he exclaims how much progress the people have made.

Then he moves a few hundred miles to the south-east and looks down once more. "Ah", says God "...Yemen."

Since the overthrow of the cruel, medieval regime of the Imamate in 1962, which is what led Nasser to become involved in Yemen, the country has made steady but very slow progress. It has a basic network of tarmac roads, its towns have electricity and, in the green and fertile south, enterprising Yemeni businessmen have established some impressively modern factories.

Even so the country is still one of the poorest in the world. A quarter of the children born there die before the age of five, only 2 per cent of the women are literate. As one walks around its dirty, litter-strewn towns, which have some beautiful old buildings, one is followed by children crying out to be given pencils.

Economic backwardness has been matched by political chaos. Yemen has always been a wild country. Apart from brief periods of insecure Turkish rule, it has never been colonised, because its mountains made it impossible to control. The religious monarchy of the Imams in the first half of this century faced many rebellions and, since the revolution, two of the state's five presidents have been deposed and two murdered.

In the dry, northern part of the country the tribes regard themselves as semi-independent. The Government's writ runs for about 30 miles outside the capital, Sanaa. Beyond that, most men carry guns and half the vehicles are unregistered. In a hospital in the northern town of Saada a notice tells visitors not to take "rifles or other murderous weapons into the canteen." Daggers, which are worn by almost all Yemeni men, have to be left at the ward entrances.

Now Yemen is about to change. The Hunt Oil Company of Dallas, Texas, has discovered oil in the east of the country and, in the next two months, it will begin exports via a pipeline built across a 7,000ft mountain range to the Red Sea. During 1988 it plans to raise production to 200,000 barrels a day, which will put the country on a par with the smallest members of the Organisation of Petroleum Exporting Countries.

One would think that this should transform the country, giving it money to spend on development and making it a place of interest to the world's business community. Yet, in the short term, the impact of oil will be limited.

The country's oil is expensive to produce and its revenue next year will probably not be more than $600m (£357m), assuming that oil prices remain around $18 a barrel. In terms of the balance of payments, this will do no more than offset recent declines in the remittances from Yemenis working in Saudi Arabia.

In the last four years, since Saudi oil revenues began to fall, the number of Yemeni workers in the kingdom has fallen from about a million - half of the total Yemeni male labour force - to perhaps 400,000, and remittances have declined from $1.3bn to about $800m. Apart from labour, Yemen has no exports. Its only other source of foreign exchange is foreign aid, worth about $400m a year.

The Government's behaviour in this situation has been extraordinarily sober. It has done everything it can to dampen the expectations of its people and, aware of the problems that have beset other developing countries, it has borrowed almost nothing in anticipation of oil revenues. Its only recent borrowing (other than aid funds) has been $50m, which the biggest Yemeni bank raised at the end of last year, mainly to refinance debts incurred through oil imports.

As a banker in Sanaa put it recently: "I think the Government has been very wise, it has carried out the IMF's policy without asking the IMF for help."

In particular, the Government has recently been extremely strict in releasing foreign exchange for imports, though its control in this area is far from complete because it cannot enforce exchange controls. Much of the remittance money never enters its hands at all and goes to pay for large amounts of luxury electronic goods and scents, which are smuggled in from Saudi Arabia.

Nevertheless the Central Bank managed to extract some $600m from the private sector earlier this year through an unorthodox but typically Yemeni piece of market intervention. At the time there were three separate exchange rates in the country - one operated by the Central Bank, the others operated by the commercial banks and money exchangers, who were allowed to sell the Yemeni riyal at a slight discount in order to attract dollars from private hoards.

These multiple exchange rates and the consequent steady devaluation of the riyal were regarded as acceptable, until the money exchangers were found to be paying up to YR15 for the dollar when the official rate was something over YR11.

What the governor of the Central Bank did was to close all the money exchanging stalls indefinitely and put their owners in prison for a week. They were sent home every evening, partly because Yemeni jails do not provide the less serious offenders with food.

The governor then revalued the riyal several times, causing panic selling of foreign currencies by the populace and earning the bank $600-$800m. One of the biggest exchangers, whose books were seized, was forced to sell more than $50m to the bank at an advantageous rate.

Tribesmen of north Yemen - rifles and other murderous weapons are forbidden in the hospital canteen

Since this success, the bank has provided foreign currency only for imports of fuel, some foods, medicines and certain raw materials. This has caused private factories to run at as little as 40 per cent of capacity.

The consensus among private businessmen and bankers is that the Government will continue its very restrictive policy for most of the first year of oil revenues, until it has built up reasonable reserves. Then the belief is that it will allow imports which will help the country's agricultural production and the development of agro-industries. In expectation of this, private investors have been buying agricultural land in the southern mountains and on the Tihama plain beside the Red Sea.

The other result of oil revenues will be that, for the first time, the Government should have some money of its own to spend on development. So far its domestic tax revenues of about $600m a year have been absorbed in current spending, while all development projects have been financed by foreign aid.

The state has not said how exactly it will spend its new revenue. The tribes, which until a few years ago were able to overthrow governments at will, can be expected todemand a substantial payment because the oil has been found under their land. The army, which is gradually extending its control over the tribes, will also demand a share.

There may be little money left for development. It is even possible that oil will cause the other Arab countries to reduce the aid they give and that Yemen's development prospects will not be improved at all.

Yet, whatever happens, oil is bound to make the Government stronger in a domestic political sense, not least because in future the tribes will be beholden to it for subsidies and not just to the Saudi Government. Saudi Arabia traditionally has been nervous of Yemen, which has a population as big as its own and has never accepted the Saudi seizure of some of its territory in the 1920s. The kingdom therefore has backed both the central Government and the tribes - wanting to support the Government against the Marxist regime in southern Yemen, while seeing the tribes as a lever which it can use to influence the Government in Sanaa.

Already the Government has become stronger and more stable, since the arrival of Ali Abdullah Salih, who was appointed President in 1978. His predecessor, Ahmed Ghashmi, was blown up by a bomb in a briefcase sent from southern Yemen.

In his early years in power, Salih wore a nervous, hunted look and was widely regarded as not very clever. But having survived numerous plots and assassination attempts, he has grown in confidence and acquired a great deal of cunning. He has even allowed the country's two surviving ex-presidents to return home - a decision unique in the Arab world.

He has built an extraordinary cult of personality. It is difficult to stand at any point in Sanaa without seeing his picture.

In the past there used to be independent-minded personalities and different centres of power and influence in the Government; now all depends on one man. In effect the price of political stability has been a move towards totalitarian government of the type found in Iraq, Syria and other Arab countries.

To strengthen his position, the President makes a point of going out of Sanaa to meet the tribal leaders, even at times of tribal fighting. He is also trying to form consultative political institutions to give his people a sense of participation in government.

Both the growing political stability of Yemen and its chances of economic development will be upset if the country becomes embroiled in the politics of its neighbour, the Popular Democratic Republic of Yemen (southern Yemen).

Despite its Marxist veneer, that country is every bit as tribal and unruly as north Yemen. The two countries have fought each other twice in the last 17 years and each harbours an armed group opposing the other, which could drag them back into war.

In the mid-1980s, relations between the two countries seemed to improve because the two Presidents were working together well. But, early last year, Ali Nasser Mohammad, the southern Yemeni leader, had to flee the country after he lost a bloody power struggle with other members of the regime. He now lives in Sanaa, but President Salih is wary of giving him support.

Relations between President Salih and the new faction in power in Aden have slowly relaxed since last year. It is possible that the development of oil in both countries will bring the Yemens together. It could make them more independent of their rival backers, Saudi Arabia and the Soviet Union.

But it is equally possible that the internal tensions of the regime in Aden will lead to civil war. If that happens, north Yemen is likely to be dragged into the fighting with unpredictable consequences.

Men and Matters

Tory insurance policies

The Governor of the Bank of England was not the only official on the public payroll who saw fit to intervene in this month's elections to Lloyd's of London's ruling council. Two Cabinet ministers, John Wakeham, Leader of the House of Commons, and John Moore, Social Services Secretary, have also taken a hand.

Both are members of the Lloyd's insurance market. And their names appear among the 16 proposers listed on the manifesto of one of the election candidates, Dr. Mary Archer, the wife of novelist Jeffrey Archer, former deputy chairman of the Conservative Party.

This has not caused the kind of furore that greeted the Governor's widely-criticised support for another candidate, William Birch Reynardson. Dr Archer has some distinctive qualifications. "She will be having my vote," says another candidate.

With a first class honours degree and a doctorate in physical chemistry, she has a numerate scientific background. This is no bad thing, given that insurance is a mathematical business - and that the council is arguably long overdue for an actuary among its members. It has tended to be packed with lawyers, accountants and Old Etonian classicists.

Nevertheless, there were signs of exasperation yesterday among prominent members of Lloyd's about what they saw as the silliness of Moore and Wakeham.

The problem with the Governor's intervention was that the Bank has a duty to keep an eye on Lloyd's under the 1982 Lloyd's Act. There was an obvious conflict of interest if the Governor took sides in council elections. With members of the Cabinet, the situation is less clear. But, as a leading member of Lloyd's put it yesterday: "I don't really think Government ministers should be seen trying to influence the results of elections in this way."

"Do you fly anywhere that doesn't have a stock market?"

Welcome bonds

Canadian federal officials could have been forgiven for not knowing whether to laugh or cry this week when the annual drive to sell Canada savings bonds to the general public met with a record-breaking response.

Long queues of would-be buyers formed at financial institutions throughout the country lured by the bonds' 9 per cent rate of return - a figure which provoked little response when it was set two weeks ago, but which the reduction in interest rates that followed last week's unprecedented stock market slump has suddenly turned into a very attractive proposition.

While the government did hurriedly lower the ceiling on the maximum amount that an individual can invest from C$75,000 to C$20,000, it was deemed impossible and, presumably, politically inexpedient to lower the rate of return to a less generous level at such short notice.

One further factor probably spurred interested savings bond buyers to shop early. The government has the right to end the offer at 24 hours' notice.

While sales could theoretically continue until November 6, many feel that finance minister, Michael Wilson, will feel obliged to turn off the tap well before then.

Exhaust fumes

The first environmentally "clean", catalytic converter-equipped car to take to the UK's roads has just emerged from a large bureaucratic pothole.

Engineers from Toyota (GB), the Inchcape Group-owned importer of products from Japan's largest car maker, were dumbfounded to be told by the Department of Transport that its new Celica GT-Four model - the first to be launched in Britain with a catalyst - would be accepted for exhaust emissions certification only if its tank were filled with leaded petrol.

What can best be described as disbelief among the men from Toyota was based on the fact that catalyst- equipped cars not only emit exceptionally low levels of pollutants - but can do so only if they run on unleaded petrol.

Using unleaded fuel, they meet US and Japanese pollution limits which are much stricter than those tested for by the Department of Transport, or even planned by the EC for introduction starting next year.

Leaded fuel, however, halts the very process which renders the exhaust so exceptionally clean.

What heightened the Toyota men's disbelief was that EC environment ministers have been pushing hard to get rid of leaded petrol, as the tetra-ethyl lead it contains is a health hazard in itself.

None of which, it seems, moved the men from the Department of Transport. Their regulations said test with leaded - and leaded it had to be.

The Celica will still go through the tests - even though Toyota removed the catalyst to save it from damage.

Councils of peace

The time appears to have come for the lion to lie down with lamb.

We are talking of serious matters here, namely the peaceful co-existence of Manchester with Salford and Trafford, the local councils which butt against each in the northern capital's inner city.

In the past they have been known to butt each other too, with that most intense of political rivalries - the Labour Party versus the Labour Party - prominent.

Manchester is famed as one home of modern Labour radicalism, Salford for its cloth cap, traditional image, and Trafford is a Labour-led hung council with a Kinnockian look to it.

So while Trafford and Salford supported Government plans to make the giant but declining Trafford Park industrial estate into an urban development corporation, Manchester's opposition made certain that Nicholas Ridley, the environment secretary, stopped the UDC territory at the city boundary.

But yesterday, they joined forces with the Government to apply for a special European Community status that would integrate their economic plans into a £637m five-year plan instead doing them piecemeal.

Manchester's Graham Stringer sat with Ken Edwards of Salford and Barry Brotherton of Trafford as though the Irwell and the ship canal had never divided them, let alone the ideological gulfs between some of their supporters.

Loss leader

Spotted on Washington's Capitol Hill: Democrat critics of President Reagan proudly touting badges marked AWOL or Absent without Leadership.

Observer

A LEADING City institution recently entrusted a letter about *an important meeting* to the Royal Mail. Although it was sent first-class to another destination in London, *it arrived a* week later. The delay cost more than £500,000 according to the institution, which does not want to be identified. Its hapless postal manager complains: "As the basic postal service gets worse, all the Post Office does is offer more and more premium express services."

*Until recently, the Post Of*fice, blessed with a highly effective public relations depart*ment, has managed to give* the image of a corporation quietly and efficiently coping with a huge upsurge in mail volumes - so unlike its former sister outfit at British Telecom.

The UK Post Office risks rivalling BT for unpopularity.
David Thomas reports

Sir Bryan thinks the unthinkable


Sir Bryan Nicholson: "When customers are giving you the signal of dissatisfaction, you're stupid to ignore it."

Under the leadership of Sir Ron Dearing, who has just relinquished the reins, the Post Office managed to square any number of circles. It kept price increases below inflation, drove through a series of path-breaking productivity deals which helped boost its workers' pay packets, added thousands of heads to its payroll and still - almost uniquely among the world's postal administrations - showed respectable profits.

Yet doubts are now mounting about the corporation's performance as it faces two key challenges: the threat of industrial action by the Union of Communication Workers, the main postal union, which could seriously disrupt the Christmas mail; and renewed speculation that parts of the corporation will be sold.

Straws in the wind this month include:
- The Periodical Publishers' Association, representing Britain's magazine publishers - one of the Post Office's larger customers - has said that it is studying ways of using private carriers for distribution because of its dissatisfaction with the postal service.
- The Mail Users' Association, representing business custom*ers, has published a survey* claiming that the Post Office is fooling itself and its users about service quality: according to the Association only 72 per cent of second class mail arrives within three working days, compared with the Post Office's claim of not far short of its 96 per cent target.
- TNT, the *Australian*-based transport company which has taken a large slice of newspaper distribution away from British Rail, has warned that it is turning its attention to the Post Office and announced that it wants to have a post box on every street corner within 10 years.

These danger signals have coincided with the arrival of a new Post Office chairman - Sir Bryan Nicholson, former head of the Manpower Services Commission and before that of Rank Xerox UK. He has a hard exam*ple to follow in Sir Ron Dearing,* who won praise for the way he managed the separation from BT and the Post Office's response to an increase in letter volumes by a quarter over the last five years.

Speaking on his first day in office last week, Sir Bryan was careful to talk about building *on his predecessor's achieve*ments. He also stressed that he took complaints about the postal service seriously. Responding to the Mail Users' report, he said: "When customers are giving you the signal of dissatisfac*tion, you're bloody stupid to ig*nore it."

Sir Bryan ordered an immediate inquiry into the difference between the Mail Users' statistics and the Post Office's own. The Post Office measures delivery performance from arrival in the sorting office to arrival in the delivery office, rather than from time of posting to time of delivery, the basis preferred by consumer groups.

Pressed on which aspects of quality worried him most, the new chairman picked out two complaints which repeatedly *crop up in statistically-valid* surveys as well as the saloon bar: queuing at counters and the reliability of the first-class letter service.

To tackle queuing, the corporation this month launched a £80m programme, which will include allocating service points exclusively for customers wanting stamps or other quick transactions, installing more stamp machines inside and outside post offices and encouraging leading retailers to sell stamps.

This five-year programme will probably take time to affect queues. *In the meantime, the* corporation faces the more intractable problem of the mounting irritation - particularly from business users - at the failure of first class letters to arrive on time.

The service is "appalling," according to Ms Sandra Kilbane, direct mail manager for Abbey National building society, who believes the Post Office has been unable to cope with the re*cent upsurge in direct mail* and business letters. She regularly gets complaints from Abbey National's regions about the failure of key mailings to reach customers on time. With postal delays of anything up to a week, *she adds that some people try to* submit claims for lost interest. Based in Abbey National's offices in Milton Keynes, she says it is standard practice for colleagues travelling to London to be asked to take urgent mail with them.

Mr David Rogers, postal manager at Readers' Digest, complains most strongly about the lack of consistency. "It's good one moment and bad the next." He says that organisations have to plan for the worst by sending out key mailings, such as invoices, ahead of time. "One is forced to run computer cycles a little earlier."

Businesses are increasingly entrusting time-sensitive letters to the burgeoning express mail (including the Post Office's own) and courier services. The latter *recently captured the attention* of a Soviet journalist sent over to report on the British postal system: "Insolent youngsters dash backwards and forwards across London overtaking limousines, weaving dangerously, fitted out as if they were cosmonauts."

One of the biggest problems Sir Bryan faces is sorting out the regular disruption to post in parts of London by unofficial disputes by militant UCW branches, which at times seem only loosely related to the union's moderate national lead*ership. He has already warned* that the Government might remove the letter monopoly in London if these disputes continue.

He also stressed that ministers would not hesitate to remove the national monopoly if the UCW's threatened action over its claim for a shorter working week goes ahead in the run-up to Christmas.

This tough talking is no doubt directed against the UCW's national leadership, which would be hard-pressed to sustain a *long national dispute.* Under Mr Alan Tuffin, its wily general secretary, the union - in a string of *near-disputes over productiv*ity - has transformed the tactic of brinkmanship into a fine art.

In the background, however, is a longer term threat to - or opportunity for - the Post Office: privatisation. Sir Bryan sig*nalled a significant shift in the* Post Office's atttitude

During the general election campaign, the Prime Minister laid down one of the boundaries in the debate about Post Office privatisation with a surprise statement that the Royal Mail, the heart of the corporation, would not be sold. People felt *very strongly about it and it was* quite different from other nationalised industries, she said.

This disappointed right-wing think tanks like the Centre for Policy Studies and the Adam Smith Institute which had won much *publicity at the start of* the year by publishing detailed plans for the removal of the Post Office's remaining monopoly powers, the splitting up of the corporation and the sale of its constituent parts.

However, Mrs Thatcher was careful not to rule out the sale of other sections of the Post Office, principally its counters operation and its National Girobank banking subsidiary, or the weakening of its monopoly which at present covers letters costing less than £1.

Before Sir Bryan's arrival, the Post Office argued that it should be privatised either as a whole *or not at all, claiming that its* constituent businesses were inextricably linked. Sir Bryan swept this aside, stating that the Prime Minister's statement had rendered this position out of date and that it would be per*fectly possible to separate Giro*bank and counters from Royal Mail.

As yet, however, there seems to be no inclination to re-think the commitment against privatising the Royal Mail. Even groups with no ideological axe to grind, such as business users, have voiced three main worries *about the idea: it could mean an* end to national pricing for letters; it might herald poorer service and higher prices for rural areas; and securing redress for problems such as lost mail could be more difficult if there *were competing national postal* services.

Perhaps the best criterion for judging Sir Bryan's term of office will be whether he so improves services for business users that most continue to think that privatisation of the Royal Mail would not be worth the candle.

Roy Gibson, who resigned as head of the UK space programme, argues for a positive space policy

Even a middle way would be a step forward

IN THE HAGUE on November 9-10, the Council of the European Space *Agency is due to meet* at ministerial level to discuss recommendations from the ESA Director General for a new long-term programme for the agency. Mr Kenneth Clarke, Chancellor of the Duchy of Lancaster, is expected to be the British Minister at the meeting.

The Director General's proposals will be based on agreements reached by ministers at a meeting in Rome in January *1985, where the UK was repre*sented by Sir Geoffrey Pattie, then Minister for Information Technology and simultaneously the Minister for Space. The Rome meeting was seen as very successful because it author*ised the agency to proceed with* preparatory programmes for a series of large projects including an up-graded version of Europe's launcher, Ariane 5, and Columbus, intended to be Europe's contribution to the international space station programme. Ministers agreed that such a programme warranted an increase in the overall ESA budget of around 70 per cent over the following five years.

During the intervening three years, the 13 ESA member states have been contributing funds to the preparatory pro*grammes and have* discussed amongst themselves, and with the executive of the agency, the composition of the new long-term programme. Major additions to the Rome "package" - principally the French-spon*sored Hermes space-plane - as* well as significant increases in the estimated costs to completion of some of the other new programmes, made it obvious that the seemingly generous budget increase would not be adequate.

The UK delegation continuously courted the disfavour of both the *executive and* some of the larger member states by emphasising two crucial shortcomings in the Director General's proposals:
- the proposed programme was over-ambitious and beyond Eu*rope's financial capacity;*
- it failed to show how private sector financing would be factored in to reduce dependance on government funding.

These two criticisms have been echoed by Mr Clarke in what was clearly an opening salvo in the final round of negotiations. These concerns are beginning to be shared by other member states, and even the *most buoyant are showing grow*ing awareness that Europe is going to be asked to bite off more than it can chew. They are concerned not only that the cost of building the new infrastructure in space will prove to be beyond Europe's means, but also that inevitable cost increases in coming years will eat into ESA's limited funds for operating space hardware. And the recurrent cost of maintaining and *operating the infrastructure* will be a heavy charge on the ESA budget for decades to come.

There is ample reason, therefore, for caution: but the UK can only exert a moderating influ*ence if it remains one of ESA's* major contributors. This does not mean the UK must participate in every ESA programme, but it does mean that it must have a national space policy against which to evaluate over*all ESA strategy and individual* programmes and projects. Ad hoc decisions on individual space programmes are a very amateurish way of proceeding, because of the complicated inter-relationships between programmes. The need for a space policy was one of the main reasons for creating the British National Space Centre (BNSC) in November, 1985, and for charging it with the production of a coherent national space plan.

However, despite a number of recent government statements indicating that additional fund*ing for space would not be avail*able and stressing the importance of an increased contribution from the private sector, there has been no official statement on the national plan.

What distinguishes the *UK* from space powers such as France, Japan, Canada, India -*and to a lesser* extent Germany and Italy - is not a lack of scientific or technological competence or capacity. It is the absence of an overall national space policy.

Continuity and consistency - *which the UK has always lacked* in space - is essential to winning private sector support. No government can be criticised if it decides that scarce resources must go to areas other than space. But to make that decision without a broad-based examination of the facts leaves government without a policy which can be understood either by its own space community or by its partners in Europe.

"No space, please, we're British" is no substitute for such a policy. While we wait for the outcome of the ESA ministerial meeting, UK scientists and industrialists are hoping against hope that the UK can show the same leadership and vision that it has demonstrated in other *fields.*

The British space science community has a high reputation worldwide. Scientists have been hoping that the formation of the BNSC signalled an understanding on the part of Government that future commercial benefits from space will rely on a broadening of the science *base. This will not be possible if* the present decline in funding is not reversed.

UK industry would certainly not escape the effects of a decision not to participate in a reasonable way in the new ESA *programmes. Most of the more* than 300 UK firms involved have been continuously re-investing to be ready for the day when the UK would once again decide to raise its space profile. It would be melodramatic to *prophesy massive job losses* and an immediate erosion of technological skills if the UK were not now to make a positive gesture; but, because of the direct relevance of today's space programmes to the whole fabric of *high-technology businesses* and industries, and its growing connections with the service industries, Britain's abdication would be felt in many areas beyond the aerospace strongholds of Bristol, Portsmouth and Stevenage.

It must be admitted that the case for additional government expenditure on space has not so far been well presented; the case for the UK to remain a sig*nificant player in the space are*na is nevertheless overwhelming. France, with space spending at some seven times greater than in the UK, may be excessive; but it is hard to believe that France's detailed examination of the question has led to totally unjustified investments. True to Britain's reputa*tion for moderation, a middle* way seems to be the order of the day for the British.

The author was formerly Director General of the British National Space Centre.

Letters to the Editor

A Dutch lesson

From Professor M Ellman.

Sir,- Joe Rogaly's article on *Dutch education (October 23)* was well informed and very relevant to the current debate about British education. It contains, however, one distortion, fails to draw attention to the racial aspects of the main problem and also has an *important* omission.

It is very one sided to suggest *that it is now the policy* in Amsterdam that all future heads of state schools must be women. The policy is that, for a period of time, till a reasonable level of female appointments is reached, all new appointments should be women. *This is a* sensible move designed to encourage female applicants and establish reasonable gender ratios in responsible posts in a profession which, as Rogaly notes, is largely female. The usefulness of positive *discrimi*nation in attracting applications from previously under*represented groups* is well known and a natural aspect of policy in countries where the authorities care about social justice.

Rogaly correctly notes that under the Dutch system "the poorer *children in the city cen*tres have the worst of it". He fails, however, to draw readers' *attention* to the fact that in practice this largely means children of non-Dutch origin, eg Turks, Moroccans, Surinamers etc. Hence we have the phenomenon of "black schools " and "white schools". Worry about *this is not confined to "private"* conversation - it is widely discussed in the Press. Given the constitutionally guaranteed "freedom of education" it is difficult to do anything about it. Introducing such a system in multi-racial Britain *is a surefire* recipe for a second class education for black children and continued racial injustice in Britain.

Rogaly omitted to draw readers' attention to the great benefits this country obtains from the absence of the high fee paying schools outside the publicly maintained sector which *play* such a key role in the UK. The absence of such schools has favourable *effects on social inte*gration, on standards in the publicly maintained schools and *on the possibility of finding* well qualified parents prepared and willing to become members of their board of governors.

(Professor) M J Ellman,
W Pyperstr. 63,
1077 XL Amsterdam.

Extraterritorial jurisdiction

From Professor Dr K Meessen.

Sir.- *In view of efforts to* fend off assumptions of extraterritorial jurisdiction, usually confronting the USA with one or more of its closest allies and friends, your legal correspondent seems to draw little comfort from the balancing-of-state-interests rule. US courts, his argument comes down to, would in the end always prefer US interests to foreign ones.

Mr A H Hermann made that point again in his assessment of the Aerospatiale decision of the US Supreme Court (October 15):"Unfortunately, as the lower courts are familiar with the federal rules (reflecting US interests) and unfamiliar with *the* Hague Convention (safeguarding foreign interests), they will always reach for the first and gladly avoid the second". Well, that danger exists.

But it is fair to mention that, since Aerospatiale, three different federal courts found US interests, in the particular posture of the case, to be outweighed by the respective interests of Switzerland, Germany and an unidentified state X and, mainly for that reason renounced ordering a taking of evidence in those states even though a US order to that effect would have been in conformity with the federal rules: Minpeco v *ContiCommodity* (SDNY), Hudson v Pfauter (NDNY), in re Sealed Case (DCCir). The balancing test should not be disposed of prematurely.

There are a number of situations where interest balancing recommends *itself as the lesser* evil to any realistic alternative. Some of its undeniable shortcomings could be remedied by developing standardized rules precisely through frequent application.

(Professor *Dr) Karl M Meessen,*
Graduate Institute of International Studies,
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Switzerland

Rule by the markets

From Mr J Clover.

Sir, - Stockmarket crashes focus the mind wonderfully especially when, as a small investor like myself, much of your savings is in equities.

In the aftermath of the "October massacre", both the American and West *German* presidents have been pressurized into reversing economic policy *decisions in order to* halt the disastrous fall in share prices. Other countries will undoubtedly have to do so as well and we may well arrive at a situation in which severe market fluctuations regularly influence government policies in the same way.

In other words, the power of individual countries to make autonomous decisions about their own economies will have been seriously eroded. Perhaps this pressure towards Interna*tional "co-operation" is good,* but if governments are consistently blackmailed into favouring the requirements of the investment community, then a substantial amount of power will have been shifted into the hands of international stock marketeers.

The global 'Big Bang' was one *step towards* world-wide economic and, by implication, political engineering. The crash of 1987 would appear to be the next, with more to follow.

There seems to be a subtle process of disenfranchisement of governments and their electorates taking place and a growing possibility of rule by the financial markets.

J R Clover
83 Marsnett Road,
Colchester, Essex.

Splitting up the CEGB

From Mr A Cooper.

Sir, - There is much loose talk about splitting up the CEGB into a number of separate operating units and separating transmission from generation. My interests in this subject are that for nine years ending mid-1966 I was the board member of the CEGB responsible for the operation of its 250 generating stations, including nuclear, and the national grid, together with *the personnel problems of* some 65,000 people. Before nationalisation, during the war years I was the chief engineer of the Central Electricity Board responsible for the operation of the grid system and the planned output of each of the locally owned generating stations.

The number of power stations has by now been reduced from 250 small ones to less than 80 large ones, with a corresponding gain in efficiency *and the* grid system has been extended to meet the increasing demands *of electricity users. There have* also been organisational changes and these are still tak*ing place but the basic operat*ing principles have remained unchanged. They have been copied by most other developed countries with the exception of the USA which, after disastrous shut downs in power supplies over wide areas moved towards large scale interconnection.

What are the reasons for having a national grid system integrated with the generating stations? Generation can be *maximised in the most econom*ical stations and minimised in the most expensive thus producing the lowest overall cost of production. The amount of spare plant required to cover breakdowns and planned maintenance can be drastically reduced for there is back-up capacity available by transfers over the grid system. In times of emergencies energy can be transferred immediately from distant parts to the affected area eg during the war when Fulham power station received a direct hit Londonwas saved by *immediate transfers of energy* from south Wales and Scotland.

Today, at times of unpredictable demand the pumped storage scheme at Dinorwig in north Wales can release an instant burst of power which will *help the whole of the network.* It would be absurd for its output to be restricted to one section of a split up grid system.

What action can usefully be taken? Surplus power could be exported from private or industrial stations into the grid or into area board networks but as their prices, we are told, are *controlled by the CEGB's bulk* supply tariff, very little progress has been made. This could be corrected. Combined heat and power projects could be encouraged with the grid mopping up electrical exports as the stations met the *local demand for* heat. Top level administration might be slimmed down. The risks of overmanning could be investigated by external management consultants.

It is feasible that area boards might be sold off as they stand for they are separate entities which do not depend on inter*connection with each other in* order to function efficiently. My main point is concerned with the CEGB and the grid system. Introduce external independent audits on efficiency including manning levels, costs, *prices, fuel purchases and so on* but do not disturb the basic shape of the organisation. It has worked well for more than fifty years and stands high in its international reputation.

Andrew R Cooper,
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Hove, Sussex.

Fingers on the button

From Mr S White.

Sir,- *With reference to the ar*ticles by Mr Prowse and Mr Riley (October 24), the small investor looks for an assurance that this dramatic fall was in no way stimulated by Yuppy fingers on computer keys selling a few odd millions of shares each day knowing that by doing so they were certain to be able to buy back later at vast profits.

Stanhope White,
40 The Glade,
South Cliff,
Scarborough, Yorks.

FINANCIAL TIMES

Wednesday October 28 1987

UK CHANCELLOR TO MAKE FINAL DECISION ON SHARE ISSUE

Lawson favours BP sale go-ahead

BY PETER RIDDELL, POLITICAL EDITOR, IN LONDON

Mr Nigel Lawson, the British Chancellor of the Exchequer, yesterday made clear his political preference for continuing the £7.2bn ($12bn) British Petroleum share offer which closes at 10am today.

He told the House of Commons that he was "surprised" by the attempt of the 17 chief underwriters to stop the issue.

Both Mr Lawson and Mrs Margaret Thatcher, the Prime Minister, stressed during questions that they were "contractually" obliged to initiate a consultation process involving the Treasury, BP and N.M. Rothschild, the lead bank, and then, in the absence of agreement, the Bank of England. These talks were still at an early stage last night.

Mr Lawson emphasised that he would make the final decision by Thursday. Dealings are due to start in London at 2.30pm on Friday.

It was clear from yesterday's exchanges that the vast majority of Conservative MPs believe the issue should go ahead.

The predominant Conservative view is that the underwriters have made large profits in the past and that dropping the issue now would give the impression of favouring the City of London, while also removing a large source of money.

Mr Lawson did not offer much hope to the small investors who have already applied for the shares at well above the current market price.

He said that, like the Treasury, these applicants were bound by the terms of the offer which means that their cheques cannot contractually be cancelled.

● Mr Lawson claimed in the House of Commons that "the robust economic health and sound public finances in this country put us in the strongest possible position to weather this storm."

Noting the dampening effect on world demand from the sharp fall in share prices, he stressed that he had already responded by reducing interest rates.

He would continue "to watch the situation closely, and take whatever steps are required."

The Chancellor said he was in regular contact by telephone with his opposite numbers in the other major industrial countries.

Brazil puts novel deal to creditor banks

BY ALEXANDER NICOLL, EUROMARKETS EDITOR, IN LONDON

BRAZIL and its leading creditor banks are negotiating an innovative interim agreement which would partly end the country's eight-month old suspension of interest payments on $68bn of medium and long-term debt to banks.

The two sides were locked yesterday in a second day of discussions in New York on a Brazilian proposal for an escrow account of about $4.5bn, out of which interest would be paid to banks. A substantial amount of the money, however, would be put up by the banks themselves.

The mechanism was put forward by Mr Fernao Bracher, Brazil's chief debt negotiator, after discussions with the US Treasury and Federal Reserve.

He and the 14-bank advisory committee, headed by Citibank, are seeking a short-term solution which would avoid Brazilian loans being downgraded by US banking regulators who are meeting in Washington this week. This would cause losses for US banks and lessen the chances of a full-scale new loan and debt rescheduling agreement.

Mr Bracher is thought to have discussed with US officials ways to satisfy the regulators for the time being and avert a downgrading.

The Brazilian proposal is for an account, perhaps with an organisation such as the Basle-based Bank for International Settlements. Its suggested size roughly equates to the interest arrears which will have built up by the end of 1987.

The device would defuse the domestic opposition which the Brazilian Government would face if it made a direct interest payment to banks without obtaining concessions in return.

The payments would represent an expression of good faith by both sides that they were serious about reaching a new longer-term agreement. The suggestion that banks would contribute to the escrow account would implicitly recognise the fact that, once a full accord is reached, they would expect to lend Brazil money to help finance interest payments.

Brazil is seeking $10.4bn of loans and easier rescheduling terms from the banks, not linked to any arrangements Brazil might make with other creditors, including the International Monetary Fund. Banks say they cannot reach such an agreement without linkage to a Brazilian economic programme.

Fernao Bracher

Allegis sells hotel group to Japanese and Bass

By James Buchan in New York

ALLEGIS, the Chicago-based travel group which is drastically cutting back its businesses, announced yesterday that it had sold its Westin hotels group to Japanese investors and the Bass family of Texas for $1.35bn in cash.

The deal, which includes the sale of such well-known hotels as New York's Plaza and the Century Plaza in Los Angeles, marks the climax of a rapid-fire programme of disposals involving more than $3.5bn in hotel and car-rental assets.

The sale, which is designed to part-finance a large cash distribution to Allegis's stockholders, raises the possibility that the company's major remaining asset, United Airlines, is dramatically undervalued in the current demoralised stock market.

Allegis, which fired its chairman and started liquidating itself to repel a hostile takeover in the summer, said yesterday that it had signed an agreement to sell Westin's 20-odd hotels to Mr Robert Bass, the rich Fort Worth investor, and Aoki, a Japanese civil engineering group, supported by Industrial Bank of Japan.

The purchasers will also take on some $180m in Westin's debt.

"The sale of Westin concludes the major restructuring of Allegis announced in June 1987," Allegis said.

In a complete reversal of the conglomerate policy pursued by Mr Richard Ferris, its ousted former chairman, Allegis sold its Hilton International hotels to Ladbroke of the UK for $1.07bn and its Hertz car rental group to investors led by Ford for $1.3bn.

Allegis also confirmed yesterday that it was seeking to sell part of its Covia/Apollo airline reservation system, which analysts believe could be worth more than $800m as a whole.

Allegis stock soared $8¼ to $69¾ in early trading yesterday - but some analysts believe it is still undervalued.

Mr Tony Hatch, an analyst at Argus Research, believes that the current disposals will net Allegis at least $58 a share after capital gains tax. "We're talking about $9 a share for all of the airline and Covia," he said.

US and Europeans to continue talks on Airbus controversy

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

FURTHER talks between the US Government and partners in the European Airbus programme are to be held over the next few weeks, in an attempt to end the current controversy over US allegations of unfair competition by Airbus in world markets.

The row has been simmering for some time, with the US accusing Airbus of selling its aircraft in world markets at cut prices, to the detriment of the US airliner builders. Efforts to resolve the problem through the General Agreement on Tariffs and Trade have failed.

A meeting of the trade ministers of the Airbus countries, under the auspices of the European Commission, ended late yesterday after several hours, with an agreement for officials to continue discussions and report to a ministerial meeting in Brussels on December 11.

After yesterday's meeting, which was described as "friendly and non-confrontational," Mr Clayton Yeutter, US Trade Representative, said that in the meantime there would be no action by the US against Airbus.

"It is not the intention of the US to damage Airbus as a firm," he declared. "We believe strongly in competition, but our objective is competition in a fair and open way, with Airbus acting in a proper manner."

The main aim of the forthcoming negotiations would be to revise the existing articles in the Gatt agreement covering support for civil aircraft programmes.

The objective would be to "foster a more favourable environment for civil aircraft trade and to reduce trade tensions in this area.

"The parties commit themselves to search for mutually satisfactory solutions, in a spirit of mutual understanding. Solutions should promote international competition and facilitate the development of aircraft manufacturing in a fair and economic environment."

With this in mind, the ministers have instructed their representatives to "resolve issues concerning government support, direct or indirect, in the development of large civil aircraft."

The discussions will also range over such matters as avoiding possible adverse effects on existing aircraft programmes, agreeing on how government-funded military research and development with civil applications should be recouped, and improving consultation procedures in the event of future disputes.

Continued from Page 1

White House tries to assert leadership

Monday saw yet another Wall Street collapse has strengthened their case.

The question facing all the participants, as yesterday's talks opened, was what sort of compromise. At issue is not just how much the cut in the budget deficit should be, but also where the priorities should lie.

So far as the size of the reduction is concerned, there is a growing feeling among budget experts in Washington that if, as many fear, the market collapse is pushing the economy into recession, the worst thing to do would be to try to reduce the deficit by more than the $23bn mandated by the revised Gramm-Rudman-Hollings budget process reform law.

On this view, bigger cuts would add to the recessionary pressures. If the aim is to reassure the markets, what is needed is a multi-year deficit reduction package, one which carries conviction that it will be implemented but which does not hit spending in 1988 too hard.

It is also recognised that, particularly if a recession is imminent, current deficit projections which assume continued moderate growth in 1988 have already been overtaken by events. The deficit will be higher than the projected $163-179bn currently assumed on the basis that no deficit reduction is enacted. In the fiscal year just ended on September 30 the deficit was $148bn.

But if the uncertain outlook for the economy has added a new complexity to the budget arithmetic, it has also changed the political calculus.

Republicans on Capitol Hill are already taking aim at legislation being proposed by the Democratic-controlled Congress.

Trade legislation, for example, contains provisions which would increase Federal spending by some $7bn. Welfare reform, farm credit legislation and catastrophic health insurance are also being targeted by Republicans as proposals the nation can no longer afford in the same way that the Democrats are attacking Mr Reagan's priorities: avoiding a tax increase and protecting the defence budget.

Continued from Page 1

Hong Kong market overlord appointed

suspended last week after the dramatic falls on Wall Street on October 19. But when the Hong Kong market reopened on Monday the Hang Seng index fell a record 1,121 points, wiping HK$200bn ($25.72bn) off share values.

Yesterday's second package was hastily put together and the local bank rate was cut by one percentage point to 6.5 per cent, after similar cut at the weekend.

These measures, coupled with widespread institutional support from Hong Kong and China, steadied the markets after a new bout of nervousness had broken out with the suspension of 45 futures brokers - about 40 per cent of the exchange's total membership - for failing to meet margin calls.

The combined measures produced a minor rally in the stock market. The Hang Seng Index ended 154 points higher, at 2,395 after steady buying over the day by big banks and corporate investors. The spot Hang Seng futures contract rallied to close

Sir David urged that Hong Kong's present problems were kept in perspective: "The Hang Seng index now stands 20 per cent higher than just over a year ago".

He reminded his audience that Hong Kong had come through financial crises before.

"In the mid-1960s the over extension of credit led to a banking crisis. Hong Kong also suffered from the turbulent spill-over of the cultural revolution in China."

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	23	73	Dubrovnik	S	22	72	Malta	C	27	81	Rhodes	S	23	73
Algiers	C	29	84	Edinburgh	R	10	50	Manchester	R	11	52	Rio de J'o	-	-	-
Amsterdam	C	12	54	Faro	F	19	66	Manila	T	33	91	Rome	F	23	73
Athens	C	18	64	Florence	S	23	73	Melbourne	S	19	66	Salzburg	S	13	55
Bahrain	D	29	84	Frankfurt	S	12	54	Mexico City	S	26	79	San Francisco	-	-	-
Bangkok	S	32	90	Funchal	S	21	70	Miami	S	28	83	Seoul	S	17	63
Barcelona	C	21	73	Geneva	C	13	55	Milan	D	13	55	Singapore	F	32	90
Beirut	S	18	64	Gibraltar	F	19	66	Montreal	C	8	46	Stockholm	C	7	45
Belfast	C	8	46	Glasgow	F	19	66	Moscow	S	2	36	Strasbourg	C	10	50
Belgrade	F	11	52	Guernsey	FG	13	55	Munich	C	7	45	Sydney	S	21	70
Berlin	S	9	48	Helsinki	C	8	46	Nairobi	S	29	84	Taipei	-	-	-
Biarritz	S	19	66	H. Kong	C	26	79	Naples	S	25	77	Tangier	C	18	65
Bombay	S	34	93	Innsbruck	S	15	59	Nassau	-	-	-	Tel Aviv	S	24	75
Bordeaux	C	22	72	Inverness	R	5	41	New Delhi	S	29	84	Tenerife	S	23	73
Brussels	S	16	61	Islamabad	R	32	90	New York	S	15	59	Tokyo	S	20	68
Budapest	C	11	52	Istanbul	R	12	54	Nice	C	23	73	Toronto	-	-	-
B. Aires	S	18	64	Jakarta	R	35	95	Nicosia	R	25	77	Tunis	S	30	86
Cairo	S	25	77	Jersey	C	15	59	Oporto	F	14	57	Valencia	C	20	68
Cape Town	S	19	66	Jo'burg	S	25	77	Oslo	C	8	46	Venice	F	16	61
Caracas	S	28	82	Lima	R	21	71	Paris	S	19	66	Vienna	S	11	52
Casablanca	C	19	66	Lisbon	F	17	63	Peking	S	21	70	Warsaw	C	5	41
Chicago	C	12	54	London	C	14	57	Prague	C	7	45	Washington	-	-	-
Cologne	S	13	55	Los Angeles	C	33	92	Reykjavik	S	2	36	Zurich	C	10	50
Copenhagen	S	9	48	Luxembourg	S	14	57								
Corfu	S	25	77	Madrid	F	18	64								
Dallas	-	-	-	Majorca	S	29	84								
Dublin	C	8	46	Malaga	F	20	68								

Readings at mid-day yesterday
C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

TI calls off Bundy deal

Continued from Page 1

separate $220m sale of the peripheral activities of Houdaille Industries, the US engineering group, to a management-led investor group backed by US investment bank Kohlberg Kravis Roberts might now not be completed.

Although it originally intended to keep only John Crane, the world's largest maker of mechanical seals, when it bought Houdaille in August, TI is now prepared for the possibility that it might not immediately be able to sell the rest.

TI will ask shareholders today to adjourn the special meeting until November 9, when it plans to ask them to reject the proposed takeover. TI shares lost 9p yesterday to close at 289p.

● Pearson, the UK conglomerate with interests that include the Financial Times, said yesterday that it and Westpool Investment Trust had agreed to drop a proposal under which Pearson would sell its 16.9 per cent stake in Westpool back to the trust for £20m ($32m).

The market value of the stake has fallen to £15m since the October 16 offer. Pearson said it did not intend to realise its investment in Westpool in the current circumstances.

Japan puts overseas law firms through the hoops

By Hazel Duffy in Tokyo

THE HAMMER blow on the huge case of sake marked the ceremonial highlight of the lavish reception formally launching McKenna, the British law firm, in Tokyo earlier this month.

Since April 1, when the statute permitting foreign lawyers to operate in Japan came into effect, 16 American lawyers and six British have gone through the official hoops to be licensed to practise by the Japanese bar.

Licences can be granted only to individuals, not to firms. McKenna has had two lawyers licensed, Clifford Chance three.

Applications are being processed from other big law firms, including Slaughter & May and Richards Butler. It hardly represents a deluge of foreigners queuing up to become *bengoshi* (lawyers).

The campaign started more than four years ago with a complaint to the US Government from an American law firm over its exclusion from practising in Japan. Initially, informal discussions were held between the American Bar Association and Japanese officials.

When it was clear the Japanese bar was determined to keep foreigners out with restrictions the Americans found unacceptable, the campaign to prise open the legal doors in Tokyo went to government level.

However, the numbers are less important than the experience gained in the negotiations. A US Embassy spokesman said the whole process - the outcome of which only partly satisfied the US and UK governments - has been seen as a learning curve for the coming round of negotiations on services in the General Agreement on Tariffs and Trade and a step towards trade liberalisation between the US and Japan.

The main reason law firms give for showing limited enthusiasm for Tokyo is the cost, which is why only larger firms have shown interest.

They are coy about revealing the expense, but the cost of opening an office in one of the world's most expensive cities is about $800,000 outlay initially and at least the same in annual running costs.

The implementation of the April 1 law is proving far from perfect, reflecting the Japanese bar's determination to keep foreigners out.

Some of the law's restrictions are also petty: lawyers must put their names first on the nameplate outside their offices, in letters the same size as the name of the firm, allegedly to avoid firms' names becoming too familiar to Japanese companies.

More important, lawyers can practise only the law of the country (or in the case of the US, the state) where they qualified.

That means they cannot practise Japanese law, take Japanese lawyers into partnership, or directly employ them - which could reduce their ability to offer comprehensive advice

British firms are unhappy about the stipulated qualification of five years' experience for any lawyer applying to be licensed in Japan.

It excludes the very people - young lawyers several years away from becoming partners - who might want to work in Japan and learn Japanese.

Surprisingly, a Ministry of Justice spokesman said this limit could be reduced to three or even two years.

He also said that once a relationship of trust between Japanese and foreign lawyers had been built up, partnerships might be possible, as long as each stuck with its own legal system.

Ministry officials will also discuss with the Japanese bar a modification of the qualifying examination to allow more Japanese candidates to pass - only about 2 per cent of candidates qualify and many who fail work as legal assistants.

Recourse to the law in Japan is a last resort by tradition, after all mediation has failed. By contrast in the US, and increasingly in the UK, lawyers are involved in commercial and financial transactions from the outset.

This, of course, is where foreign lawyers see their opportunities in Japan. They have been amazed that Japanese companies do not use lawyers in complex deals.

That is changing with the increasing internationalisation of their activities and deregulation of the Tokyo financial markets.

The benefits of Japan opening its doors to foreign lawyers will be two-way - the first Japanese firm will soon open in London.

In Tokyo, the Americans and British are seen by some Japanese observers more as a stimulus than a threat to a profession which has long hung on to its self-engendered exclusivity.

Cynical foreign observers say the first foreigners will pick up enough business. Then the domestic lawyers will be ready to go in.

THE LEX COLUMN

The buck doesn't stop here

Since it was the threat of dollar collapse which set off the worldwide market crashes last week, yesterday's renewed weakness in the US currency is likely to add to nervousness. It looks as though the parties to the Louvre accord have agreed behind the scenes to let the dollar fall further - or possibly relations are now so bad between them that the whole pact is dissolving. Certainly any deal to widen interest rate differentials between the US and other countries - such as the cut in UK base rates last Friday - does not seem to extend beyond the UK. West Germany may come in for a lot more criticism yet.

Without any sign of support for the dollar from the US - either intervention by the Fed or higher interest rates - foreign exchange dealers will be testing how far they can push the dollar down before a floor is found. That could hardly be a worse background for the US Treasury quarterly refunding, details of which are due today. Overseas interest is likely to be small unless buyers can be persuaded that the dollar has hit bottom or yields rise more sharply than they did yesterday.

There is the possibility, though, that the Treasury could cut the size of the auction. It will, in any case, require an increase in the debt ceiling to issue the expected $28m or so of bonds. The Treasury could decide not to launch a new 30-year bond at all and keep the auction to a size which domestic demand could fill, given the recent switch from equities to bonds. That might be an attractive short-term solution, but it will take far larger cuts in the US budget deficit than now seem likely for the funding problem to go away.

BP

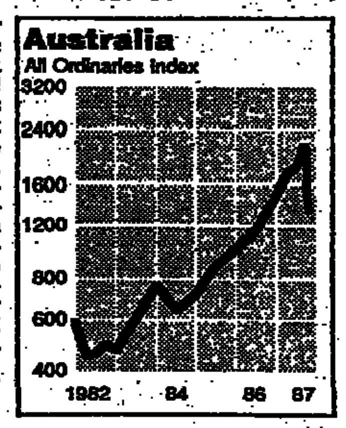
The BP issue has long since turned to melodrama, but some of the actors are still a little hard to identify. Those who have most to lose by the issue going ahead have the best reasons for keeping quiet about it, and the air is instead thick with protestations of higher principle. Meanwhile, the Chancellor of the the Exchequer remains deeply opposed to pulling the issue, and appears to be working on the emotions of the UK underwriters by leaving them to stare down the gun barrels until the last minute.

It is with those underwriters, it now seems, that much of the trouble lies. The sub-underwriters, who have small exposure in relation to their size, are not opposed to the issue going ahead, as the Association of British Insurers yesterday made clear.

The four US underwriters, certainly, are cruelly exposed. American law does not permit binding sub-underwriting, and the stock can only be sold for what it will fetch after being registered in the US, by which time London dealings will have already started. Not all of the four are in the big league in equity capital terms, and the damage could in some cases be material. But it appears that though the Americans are naturally opposed to the issue going ahead, they have not been in the forefront of the shouting.

It would not be surprising if some of the London underwriters had hung on to part of the issue, if only because of the fee structure; the pure underwriting earned just £180 per £1m underwritten, against £10,000 per £1m for the sub-underwriting. If so, the underwriters will either have taken the stock onto their own books, thereby risking strain on their official balance sheet ratios, or have passed it to their managed funds, which will be correspondingly dented come the next quarterly valuation. The Bank of England's job as mediator looks an unenviable one.

Australia



The modest recovery in the Tokyo and Hong Kong stock markets yesterday served only to highlight the continuing downward slide of the Australian stock market, which only a few weeks ago was one of the star performers of the year. Over the last fortnight Australia has emerged as the worst performing major market, with the FT-Actuaries Australia index falling by a third, compared with a 21.8 per cent decline in the world index. When account is taken of yesterday's 7 per cent drop in the Australian market the comparison looks even worse. Major Australian companies ranging from News Corporation to Elders IXL and the Bell Group have seen their share prices more than halved in the sell-off.

By September the Australian stock market had quadrupled in value since 1983, and the average multiple had risen from 7.3 to 18.5 times earnings. By any conventional yardstick, it was clear that the market was grossly overvalued. However, a 51 per cent slump in the local metals and minerals index, which has come at a time of generally firm gold and commodities prices, is one of the more surprising elements in the slump in Australian equities. By contrast, the fall-out in the entrepreneurial sector is more understandable. The heavy gearing of many of these companies and their emphasis on playing the stock market helped fuel the steep rise of local equities. In a declining market, this kind of gearing works the other way. This factor, when combined with the cost of servicing some ambitious overseas ventures in the US and the UK, explains the concerns about the continued viability of some of Australia's high-flying tycoons.

TI Group

While an emergency of any sort provides a good excuse for wriggling out of commitments, the withdrawal of TI Group's bid for Bundy can genuinely be put down to falls in the markets. TI found itself in the uncomfortable position of having recommended to shareholders an offer which its advisers could no longer judge to be fair value. This accounts for TI's about-turn even in the face of possible litigation from Bundy shareholders. Had the bid been for a UK company, though, TI could have found it far harder to back out. Under Takeover Panel rules a change in general economic circumstances is insufficient reason for pulling out of an announced offer. And, in today's extraordinary markets, there may be recurring conflicts between the legal obligation to proceed with an offer once posted and directors' duties to act in the best interest of shareholders.

SECTION II - COMPANIES AND MARKETS

FINANCIAL TIMES

Wednesday October 28 1987

Chrysler third-quarter profits up 8% at $253m

BY ANATOLE KALETSKY

CHRYSLER, the third largest US car maker, had an 8 per cent improvement in profits in the third-quarter, reporting net earnings of $253m or $1.15 a share. A year ago, Chrysler made $235m or $1.06 a share.

The company also said it expects to lay-off about 3,500 salaried employees by the year-end, largely as a result of the integration of employees and operations from American Motors (AMC), which Chrysler acquired in August.

The latest quarter's results were the first to include the acquisition of AMC, but most analysts believe that this factor did not materially affect the year-on-year earnings comparison.

However, Chrysler's quarterly revenues were boosted 19 per cent, largely as a result of the AMC acquisition, to $6.17bn. Mr Lee Iacocca, chairman, described the results as "outstanding," particularly in view of what he called the "industrywide car sales slump" now being experienced in the US.

Mr Iacocca said the final number of job cuts "may be more, may be less," but the 3,500 figure was "fairly accurate."

The cuts were part of an ongoing cost-cutting programme that the company has had in place for several months. He said Chrysler inherited 5,700 salaried employees from AMC.

Mr Iacocca said the process of integrating AMC could eventually mean closing at least one vehicle assembly plant to bring Chrysler capacity more in line with demand, and to help cut costs.

Nine-month net profits were down from $1.08bn, or $4.83 a share, to $951m, or $4.38. Sales rose from $16.8bn to $18.6bn.

Commenting on the collapse of Wall Street, which is widely expected to exacerbate the downturn in the US car market, Mr Iacocca said that "the events of the past week have made it more important than ever" to keep on cutting the company's costs.

"We're going to be watching things closely in the coming weeks and months, but we're working on costs and revenues now," he added, suggesting further that politicians in Washington might do well to learn from the company's example.

IBM to buy back $1bn of its shares

By Our Financial Staff

INTERNATIONAL BUSINESS Machines, the world's largest computer company, yesterday joined the rush by US companies to buy in their own shares with an announcement that its board had authorised the company to spend up to $1bn to continue repurchasing its stock in blocks of at least 5,000 shares.

IBM's stock rose $4¾ to $116¾ in response. The company, which has about 605.9m common shares outstanding, has watched its stock price fall from a record $175⅞, reached in August. It has traded as low as $102 after the stock market collapse on October 19.

IBM said it had been buying back its own stock under a $2.5bn programme initiated 19 months ago. Although that programme is nearly ended, "we continue to believe that IBM shares are a good long-term investment."

The company would pay for the new stock repurchases with general corporate funds.

Based on its current stock price, IBM will buy back up to 8.7m shares, or about 1.5 per cent of its total outstanding shares. As of June 30, IBM said that it had bought 14.1m shares under its ongoing repurchase programmes at a cost of $1.9bn, for an average price of about $133.80 a share.

Andrew Baxter reports on the ambitious growth strategy of a leading US group

Scott Paper unwraps expansion plans

SCOTT PAPER, the worlds' largest producer of toilet tissues, yesterday announced plans to spend more than $250m on new paper machines in Europe.

This, it hopes, will lead to a 10 per cent increase in its 6,500-strong European workforce over the next three years.

The plans, revealed in London yesterday by Mr James Cunningham, senior vice-president and head of Scott's European operations, are the biggest "one-shot" spending announcement in the history of the company, whose brands include Andrex and Scottex.

Mr Cunningham noted that they were approved by the Philadelphia-based company's board after the "very shocking news" from Wall Street, where Scott's shares plunged from $87 to $61 last week.

Mr Cunningham said the spending reflected the confidence the company had in Europe, which he described as the "number one priority" for Scott's growth prospects. Scott is already two-and-a-half times larger than its nearest competitor in the European market for toilet tissues, paper towels and napkins, but the company expects its European business to grow by 75 per cent over the next 10 years.

The forecast is based on what Scott sees as extremely attractive absolute market growth rates, particularly in countries such as Spain where the use of paper products is lower than elsewhere in Europe.

It also depends on the success of Scott's pan-European strategy, which has been developed over the past four years via investments in Italy, Belgium and the UK – where Scott last year paid $60m for Bowater Industries' 50 per cent interest in Bowater-Scott.

The company said it would install three paper machines in France, Italy and Spain, with eventual total capacity of 150,000 tonnes a year, as well as accompanying converting equipment.

Mr James Cunningham

In Italy, Scott will spend more than $90m on a new tissue paper mill at Alanno, Pescara, to serve the growing southern Italian market. The new paper machine there is scheduled for start-up in early 1990.

Meanwhile, in France, the company will spend more than $80m on converting equipment and a new paper machine at its recently chosen mill site at Orleans.

And in Spain, a new machine and converting equipment will be added – at a cost of more than $70m – at Scott's recently purchased Miranda del Ebro pulp mill in northern Spain.

Scott is also spending $10m to rebuild a paper machine at Northfleet, Kent, in Britain.

Mr Cunningham noted that increasing the European workforce would depend more on the use of the new converting equipment than on the paper machines themselves.

Scott's long-term aim in Europe was to become a market leader across the full range of personal care and cleaning products, he said. As national boundaries within the EEC are gradually removed, he predicted a consolidation within the industry over the next 10 years.

Sanctions take toll on Amcoal profits

By Jim Jones in Johannesburg

SANCTIONS and lower export coal prices combined to reduce sharply the first-half turnover and halve profits at Anglo American Coal Corporation (Amcoal), South Africa's largest coal company.

This is the first indication of the effect of sanctions on coal exports as the South African Government has stopped publishing monthly minerals production and sales figures.

Turnover at Amcoal dropped to R558.3m ($272.5m) in the six months to September from R615.8m despite higher sales achieved by Vereeniging Refractories (Verref), its manufacturing subsidiary. Group pre-tax profits fell to R109.6m from R236.1m.

Mr Graham Boustred, the chairman, said total coal and coke sales fell 5.3 per cent to 19.25m tonnes. The drop was entirely due to lower export sales through the Transvaal Coal Owners' Association (TCOA), which has had its exports particularly affected by US and European trade sanctions against South Africa.

Exports dropped by 1.22m tonnes. Domestic sales increased because of higher deliveries to Escom, the state electricity utility.

Mr Boustred added that the three-week strike by black miners had a material affect on production at Amcoal's underground collieries but that coal deliveries were maintained by drawing on stockpiles. He was also concerned at the effect that increases in rail tariffs will have on the coal industry's profitability.

This year's earnings are expected to be substantially lower than those of the 1986-87 when pre-tax profits were R417.7m. The interim dividend has been maintained at 80 cents though net earnings per share fell to 265.4 cents a share from 424.0 cents.

Verref, 67 per cent owned by Amcoal, lifted its sales and profits in the six months largely because of improved sales of building products, although results at the refractories division also improved.

Turnover rose to R101.5m from R86.0m and the interim pre-tax profit rose to R11.1m from R8.6m.

Net earnings rose to 94 cents a share from 7.67 cents and the interim dividend has been lifted to 24 cents from 21 cents.

Boeing earnings hit by R&D spending

BY RODERICK ORAM IN NEW YORK

BOEING, the world's largest aircraft manufacturer, has reported a further deterioration in profits, mainly because of research and development costs and a lag before new projects contribute to earnings.

Net profits for the three months ended September 30 were $104m or 67 cents a share, compared with $157m or $1.01 a year earlier. Revenues slipped to $3.52bn from $3.81bn. It was Boeing's fourth consecutive quarter of flat or lower earnings.

For the nine months, net earnings were $339m or $2.18 a share, against $474m or $3.05 a year earlier. Revenues declined to $10.76bn from $11.36bn.

The Seattle-based company booked orders for 59 jet and six turboprop aircraft worth $3.8bn, taking the year-to-date total to 267 jet and 40 turboprop aircraft worth $14.9bn. A year earlier it had booked $16.9bn of orders for 298 jet and 88 turboprop aircraft.

Boeing said the lower level of orders was still above its expectations and it hoped the trend would continue for the rest of the year. "However, severe competition among manufacturers continues to result in extreme pricing pressures, increased financing requirements and participation in the disposal of older aircraft," the company said.

Mr Frank Shrontz, president, pointed out again that Boeing was in a transition period as it built up to the start of production late next year of 737-400 and 747-400 aircraft. It faced the same problem in its military business where it was developing new products to replace those being phased out.

Other factors hitting earnings in the third quarter were a 12-week strike at its de Havilland commuter aircraft subsidiary in Canada, higher production costs, an increased share of costs on government programmes, and cost and technical problems on several military programmes.

Following the recent settlement of the de Havilland strike, Boeing said it would implement some work rule changes which should improve productivity.

LF Rothschild loses $44m in share slump

BY OUR NEW YORK STAFF

LF ROTHSCHILD, the prominent Wall Street broker which ranks 18th among the US investment houses in terms of capitalisation, announced that it had suffered net losses of about $44m - equivalent to a quarter of its total shareholders' funds.

This is as a result of the "unprecedented downturn in equity markets" during the past two weeks, the company said. The company's announcement confirmed market rumours, which had persistently identified Rothschild, which is in no way linked with any of the European or British entities bearing the same name, as a probable victim of last Monday's stock market crash.

However, Rothschild's announcement provided investors with reassurance that its remaining net capital of $133.5m was well above all regulatory requirements and that liquidity available to its broker-dealer subsidiary, LF Rothschild & Co, was more than $80m.

The company said its losses had been suffered mainly in the arbitrage area, where it had enjoyed an important market niche. Arbitrage companies, which buy takeover-related stocks, have been among the worst-hit victims of the collapse on Wall Street.

Rothschild said that it had "taken measures, including substantially reducing securities positions, designed to reduce the risk profile of its trading."

Inco third-quarter surge

BY DAVID OWEN IN TORONTO

INCO, the large Canadian nickel producer, reported a sharp upturn in third-quarter earnings because of improving prices and strong demand for its primary metals.

Despite the announcement, the group's shares closed down a hefty C$3¼ at C$17 (US$12.9) on the Toronto Stock Exchange, as the massive across-the-board stock market sell-off of last week continued unabated.

Net income in the latest period totalled US$41.4m or 36 cent a share on net sales of US$415m, compared with earnings of just US$3m (a loss of 1 cent a share) on sales of US$306m in the 1986 third-quarter.

In the nine months ended September 30, net earnings were US$50.2m on sales of US$1.22bn.

Indosuez to advise Disney in Paris deal

By Paul Betts in Paris

THE WALT Disney company has chosen Banque Indosuez, a unit of Compagnie Financiere de Suez, the newly-privatised French banking and investment group, as its financial adviser for its Euro-Disneyland amusement park to open outside Paris in 1992.

The first phase of the project involves about FFr15bn ($2.5bn) in investments including the construction of a "Magic Kingdom" and the infrastructures around the new *European Disneyland*.

Banque Indosuez will be putting together the financing of the project which is expected to include a private placement.

Mr Antoine Jeancourt-Galignani, Indosuez's chief executive, said Euro-Disneyland would involve what he described as an original financing package which was not expected to be affected by the current agitated state of the financial markets.

The project represented a major new opportunity for Indosuez, which is already active in financing for the Eurotunnel, the Anglo-French Channel tunnel venture.

Competition between banks for the Disneyland project had been fierce because of the scale of the venture.

Sony resumes talks with CBS

SONY, the Japanese consumer electronics group, said yesterday it had resumed talks about its purchase of CBS Records for $2bn after being approached by CBS Inc, the parent company, Reuter reports from New York.

"Sony's prior offer to purchase CBS Records was terminated following the CBS board of directors meeting on October 14," Sony said.

Eastern Air Lines suffers $67m loss

BY OUR NEW YORK STAFF

EASTERN AIR LINES, one of the two main subsidiaries of Texas Air Corporation, the biggest US airline group, suffered a big loss in the third quarter, traditionally a period of peak summer earnings in the travel business.

Eastern lost $67m after tax, against a profit of $18m in the third quarter of last year, before its acquistion by Texas Air. The bad results from Eastern, coming against the background of the present upheavals in the US stock markets, could prove a serious problem for Texas Air, which is one of the most highly leveraged and financially precarious big companies in the US.

Texas Air's other main subsidiary, Continental Airlines, has yet to report third-quarter earnings, but it lost $169m in the first half of the year, roughly double the previous year's loss.

Eastern said its results were "disappointing" and adversely affected by a slowdown and public relations campaign by the pilot's union.

Mobil slips 4% to $319m in quarter

BY OUR NEW YORK STAFF

MOBIL, the second largest US oil company, made net profits of $319m or 77 cents a share in the third quarter.

These earnings were 4 per cent lower than the corresponding figures a year ago, after adjusting for a one-time loss of $150m charged in the year-ago quarter following Mobil's sale of Container Corporation of America.

As a result of this charge, Mobil earned only $137m or 45 cents after tax in the third quarter of last year.

Mobil's worldwide petroleum earnings fell 12 per cent to $397m. Within this total, production and exploration profits surged from $130m to $326m, while marketing and refining fell from $323m to $71m.

Refining and marketing results were particularly poor in Europe, where high inventories resulted in competitive pressures and low margins, Mobil said.

The chemical operations more than doubled its profits from $38m to $92m.

NORTH AMERICAN QUARTERLY RESULTS

NORTON
Abrasives

	1987 $	1986 $
Third quarter		
Revenues	300.4m	259.9m
Op net income	12m	5.9m
Op net p/shr	0.58	0.30
Nine months		
Revenues	917.5m	848.2m
Op net income	47.5m	40.5m
Op net p/shr	2.29	1.99

PACIFIC LIGHTING
Utility

	1987 $	1986 $
Third quarter		
Revenues	1.17bn	1.23bn
Op net income	57.2m	48m
Op net p/shr	0.94	0.79
Nine months		
Revenues	3.95bn	4.02bn
Op net income	175.8m	34.6m
Op net p/shr	2.89	0.52

PACIFIC GAS & ELECTRIC
Utility holding company

	1986/7 $	1985/6 $
Fourth quarter		
Revenues	1.8bn	2bn
Net income	204.5m	299.6m
Net per share	0.47	0.73
Year		
Revenues	7.3bn	7.9bn
Net income	775.6m	1bn
Net per share	1.75	2.65

PHILLIPS PETROLEUM
Oil and gas

	1987 $	1986 $
Third quarter		
Revenues	2.8bn	2.18bn
Net income	31m	113m
Net per share	0.11	0.47
Nine months		
Revenues	7.98bn	7.63bn
Net income	2m	217m
Net per share	*0.06	0.86

* Loss

PIEDMONT AVIATION
Airline

	1987 $	1986 $
Third quarter		
Revenues	583.2m	476m
Net income	33.9m	25.1m
Net per share	1.55	1.19
Nine months		
Revenues	1.6bn	1.36bn
Net income	86m	54.9m
Net per share	3.96	2.72

PREMARK INTERNATIONAL
Tupperware, household appliances

	1987 $	1986 $
Third quarter		
Revenues	531m	499.1m
Net income	13.6m	*37.6m
Net per share	0.40	n/a
Nine months		
Revenues	1.57bn	1.41bn
Net income	44.9m	*2.8m
Net per share	1.31	n/a

* Loss reflects $44m unusual charge

A.H. ROBINS
Pharmaceuticals

	1987 $	1986 $
Third quarter		
Revenues	229m	215m
Net income	26.6m	25m
Net per share	1.10	1.03
Nine months		
Revenues	621m	579.1m
Net income	60.3m	55.6m
Net per share	2.50	2.30

TELERATE
Business information

	1987 $	1986 $
Third quarter		
Revenues	85.9m	61m
Net income	19.2m	11.1m
Net per share	0.20	0.12
Nine months		
Revenues	238.6m	165.4m
Net income	51.9m	30.3m
Net per share	0.55	0.34

TIGER INTERNATIONAL
Air freight

	1987 $	1986 $
Third quarter		
Revenues	317.3m	286.6m
Op net income	18.5m	1.5m
Op net p/shr	0.49	0.05
Nine months		
Revenues	878.7m	811.1m
Op net income	37.7m	*55.5m
Op net p/shr	1.01	*1.79

* Loss

TRANS WORLD AIRLINES
Airline

	1987 $	1986 $
Third quarter		
Revenues	1.21bn	916.1m
Op net income	51.2m	65.2m
Op net p/shr	1.22	n/a
Nine months		
Revenues	3.09bn	2.32bn
Op net income	49.2m	*191.3m
Op net p/shr	0.25	n/a

* Loss

USG
Building products, DIY

	1987 $	1986 $
Third quarter		
Revenues	752.8m	726.9m
Op net income	44m	69.3m
Op net p/shr	0.85	1.09
Nine months		
Revenues	2.17bn	2.03bn
Op net income	187.1m	198.7m
Op net p/shr	3.43	3.07

WESTERN UNION
Telecommunications

	1987 $	1986 $
Third quarter		
Revenues	199.9m	220.5m
Net income	*3.65m	*52.8m
Net per share	*0.15	*2.16
Nine months		
Revenues	610.9m	675.6m
Net income	*17.2m	*71.3m
Net per share	*1.47	*3.69

* Loss

ZENITH ELECTRONICS
Consumer electronics

	1987 $	1986 $
Third quarter		
Revenues	591.8m	513.8m
Net income	*25.1m	3.9m
Net per share	*0.99	0.17
Nine months		
Revenues	1.48bn	1.3bn
Net income	*23.8m	*10.4m
Net per share	*0.99	*0.45

* Loss

INTL. CAPITAL MARKETS

Rising markets depress bonds

BY CLARE PEARSON

RISING world share markets spelt lower bond prices yesterday, underscoring the inverse relation between debt and equity prices which has emerged over the last week.

Sharp rises in Far Eastern equity markets, echoed in Europe yesterday morning, sent US Treasury bond prices sharply lower at the outset and the trend continued as shares in New York opened higher.

But bonds later recovered some of their losses, sustained by a continuing assessment of the recessionary implications of the stock markets' prolonged fall, which could create room for lower interest rates.

Sentiment was helped by relative stability in the dollar, dulling fears for the moment that the currency will become vulnerable to downward pressure as falling US interest rates narrow the gap between yields in the US and other markets.

This week's White House-Congressional talks on measures to curtail the US budget deficit, and the dollar's reaction to the talks, will be the key near-term focus of attention.

In the Eurodollar bond market, yield margins continued to widen in very low turnover with most inter-dealer trading being done in amounts of only $1m each side. Prices ended the day almost unchanged, after earlier falls of about ¾ point.

Dealers noted a continued flight to quality among investors, with short-dated bonds for triple-A rated names - now yielding about 85 basis points over the US Treasury curve - in most demand.

Prices of Euroyen bonds eased by about ¼ point, although dealers said the sector was still attracting some bargain-hunting interest given the high yields which have emerged after a long period of neglect by international investors.

INTERNATIONAL BONDS

Prices of both tranches of the recent Y300bn bond for Italy eased slightly. The 4¼-year fixed rate portion was bid at 99.90, compared with a 101⅛ issue price, while the five-year callable floating rate note was quoted at less 0.20 bid, 0.01 per cent outside its fees.

But dealers said prices of both tranches were sustained by the substantial preplacement which lead manager Nomura is believed to have carried out before launch on Monday. The FRN was thought to have been mainly placed in the Far East.

Japanese equity warrant prices shot higher in response to the rises in Tokyo shares. Dealers said many warrant prices had risen by nearly 100 per cent from earlier levels of about 12 or 14.

Eurosterling bond prices fell in sympathy with gilts amid uncertainty over whether the British Government would postpone the British Petroleum privatisation share issue. If it does, it will have to arrange alternative funding in the gilt market.

Three new floating rate notes emerged in the New Zealand dollar sector, all unlisted and targeted at institutional Far Eastern demand.

S. G. Warburg Securities with the Bank of New Zealand as joint lead manager announced a two-tranche issue for Bank of New Zealand Cayman Islands branch. Each NZ$210m tranche is priced at 100.10 and may be put at par.

But the first tranche matures in September 1990 and pays three-month New Zealand bank bill sell rate minus 50 basis points initially, and then 50 basis points under the four-month rate. The other tranche matures in October 1990 and pays the three-month rate throughout its life.

Morgan Guaranty led a similar NZ$225m three-year issue, also priced at 100.10, for DFC Overseas Investments, Cayman Islands. This also pays three-month bank bill sell rate less 0.50 per cent.

D-Mark Eurobonds closed about ⅜ point lower in thin turnover as money flowed back into equities. The average yield on domestic bonds was 6.77 per cent, compared with 6.84 on Monday.

In Switzerland, bond prices gained about ½ point with higher-coupon issues popular across the maturity spectrum.

S.G. Warburg Soditic postponed a convertible for Healthvest, a US property company, while a SFr50m equity warrant bond for Premier Consolidated Oilfields of the UK, was also postponed.

Union Bank of Switzerland increased the coupon on a SFr200m equity warrants bond for Thomson-Brandt International from 2½ per cent to 4⅞ per cent, due to market conditions.

Suez to leave shares to market forces

BY GEORGE GRAHAM IN PARIS

COMPAGNIE FINANCIERE de Suez, the newly privatised French banking and investment group, will not try to support its share price at its FFr317 offer level when dealings begin tomorrow.

"The underwriting syndicate has an obligation to see that the share price evolves like the rest of the market, not worse," Mr Renaud de la Geniere, Suez's chairman, said yesterday.

"We always tend to have the illusion in France that prices are fixed, that interest rates are fixed, but a market is a market."

Mr de la Geniere said that grey market prices before the opening of official dealings did not give an accurate picture, since they reflected a narrowly-based and illiquid market.

Current indications, however, are that the Suez shares could open at a discount of about 10 per cent to their offer price - the first French privatisation shares not to open at a premium.

But Mr de la Geniere said that the results of the Suez flotation were very good in the light of stock market conditions.

The company received 1.6m applications for 96m shares, nearly five times the number of shares on offer. The overseas share offering was 11 times oversubscribed.

The Suez underwriting syndicate - a relatively small group of banks - is bound to take part in much more extensive price regularisation operations than for a normal French or international equity offering.

Banks may be called on for up to 30 per cent of the amount they have underwritten for the first month, 20 per cent for the next two months and 10 per cent for a further three months.

The relative weakness of the response to the public share offering - less than half the applications of Paribas, Suez's great rival, which was privatised in January - means that the company will receive only a small capital increase from the operation. The Government is not expected to exercise the warrants it had kept in reserve to meet heavy investor demand for shares.

The collapse of world stock markets over the past 10 days will also make it more difficult for Suez to raise further fresh capital by floating some of its subsidiaries separately on the stock market.

Suez has planned to group together its consumer banking interests such as Banque Sofinco and Banque La Henin. This holding company and Suez's other banking subsidiaries could then eventually be floated, always keeping at least 51 per cent control in the hands of the group.

The only exception to this could be Banque Vernes et Commerciale, which specialises in the same corporate banking sectors as Suez's main banking operation, Banque Indosuez. The cession of Vernes has not been ruled out.

Mr de la Geniere said the stock market turmoil should not affect Suez's operating profits for the year, which are expected to be between FFr1.2bn and FFr1.4bn ($202m and $235.6m).

On the capital account, Suez had already realised about FFr800m of gains by the end of September, but if the market continues at current levels it may have to make loss provisions on some of its more recent investments. The company is, for example, currently showing a paper loss of about FFr220m on the 10 per cent stake it took this year in the hotel group Accor.

Gilts licence sought by Nomura

By Janet Bush

NOMURA INTERNATIONAL, the British arm of the Japanese securities house, has lodged an application at the Bank of England to become a primary dealer in the UK Government bond market.

The Bank declined all comment on whether it had received any other applications. Its reticence appeared to indicate that so far there had been only a small number of applications. Most candidates widely tipped to apply for primary dealerships said yesterday they had not applied.

A senior official of one US bank which decided last year not to get involved in the newly structured gilt market following Big Bang said yesterday: "Given the low level of profitability in the gilt market, our decision last year looks better and better all the time." He said his bank's view that market making in gilts did not offer an adequate return on equity remained unchanged.

The Bank of England acknowledged yesterday that only four houses of the remaining 26 gilt-edged market-makers had made a profit over the last year. It also admitted that market-makers as a whole had made a loss of £50m over this period.

Yesterday, the first anniversary of the Big Bang deregulation of London's financial markets, was the first day on which houses which did not apply last year to make markets in gilts were allowed to put in their applications.

News that Nomura had applied came as no surprise. It has been known for some time that the house had been recruiting a gilts team.

Daiwa Europe, another leading Japanese securities house, has also been recruiting gilts personnel, including two market-makers from Hill Samuel Wood Mackenzie. Daiwa is believed still to be looking for people to run both trading and sales.

A Daiwa official said the company was in the process of gearing up its gilts operation, but had not yet lodged an application at the Bank.

Yamaichi International Europe said it had not applied for a licence. It would, however, review the situation at a later date and, in the meantime, was recruiting a gilts team. The idea of establishing an agency brokerage initially was under discussion.

Morgan Stanley International, the US bank, another focus for speculation, appears to have no plans to apply for a primary dealership. Deutsche Bank Capital Markets in London said it had no plans to start trading in UK bonds.

Nikko Securities are not thought likely to apply at this stage although it is trying to recruit traders to deal in gilts on an agency basis.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on October 27

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey National 7½ 92	200	93⅞	91⅞	−0⅛	+1⅞	9.96
All Nippon Air 9⅝ 97	100	92⅞	93⅛	−1⅛	+5⅛	10.57
American Brands 8⅞ 92	150	96½	97	−0⅛	+1⅞	9.74
A/S Eksportfinans 7⅞ 95	100	90⅞	90⅞	−0⅛	+2⅛	9.72
A/S Eksportfinans 7⅛ 92	150	92⅞	92½	−0⅛	+1⅞	9.54
[illegible]						

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Belgium 4⅞ 94	40	99⅞	99⅞	+0⅞	+3⅞	5.79
E.I.B. 4⅞ 92	40	99⅞	99⅞	−0⅞	+3⅞	5.82
Elec. De France 5⅞ 94	20	96⅞	96⅞	−0⅞	+3⅞	5.81
Kansai Electric 4⅞ 94	60	93	93⅞	−0⅞	+3	5.92
Norway 4⅞ 92	60	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]						

Fokker plans equity issue to enable state purchase

BY LAURA RAUN IN AMSTERDAM

FOKKER, the troubled Dutch aerospace concern, plans to launch an equity issue enabling the Dutch Government to take 49 per cent of the company at a price of about Fl 100m ($49m).

Details of the state's planned stake in the aircraft manufacturer were disclosed yesterday, as the stock market had its first opportunity to evaluate the financial bailout plan announced on Monday.

Initial reaction on the Amsterdam Stock Exchange was sceptical, with the share price drifting 4 per cent lower to Fl 33 before trading was suspended for the equity issue news. This occurred only hours after trading resumed after the two-day suspension imposed last Friday.

The number of shares, which will be priced at Fl 20, will depend on whether current stockholders exercise their pre-emptory right to take up the new issue. If none do - and that it is a distinct possibility - then The Hague will purchase about 5m shares to give it a 49 per cent holding.

The state's plan to acquire a large minority stake is at the centre of the programme to rescue Fokker from a cash crisis and red ink. Fokker has plunged into difficulties while trying to develop two new aircraft - the 50-seat F-50 turboprop and the 100-seat F-100 fanjet.

The Government and commercial banks together are providing Fl 527m in fresh financing, while repayments of previous state-guaranteed commercial loans are being eased.

In return, Fokker is being forced to strengthen its depleted management, sharply cut production costs and find a business partner

Northrop, the US aerospace group, has held 20 per cent of Fokker's ordinary shares since 1966, when Fokker was involved in producing Northrop's F-5 fighter aircraft.

Brown Boveri sees sharp rise

BY WILLIAM DULLFORCE IN GENEVA

BBC BROWN BOVERI, the Swiss electrical engineering group which is merging with Asea of Sweden, expects a "marked increase" in earnings this year.

A brief announcement from the group's Baden headquarters yesterday did not translate this forecast into figures but in May, before the announcement of the merger with Asea, Dr Fritz Leutwiler, the chairman, said the aim was to double net earnings to around SFr200m ($137m).

If that target was reached, Brown Boveri would be able to resume dividend payments, Dr Leutwiler said. Brown Boveri's last payout to shareholders was on the 1984 account.

Group sales in 1987 will fall short of last year's SFr13.83bn, a result boosted by the billing of a nuclear power plant for West Germany.

At the half-way stage this year, sales had reached SFr4.3bn, against SFr4.9bn for the first six months of 1986. But, if the nuclear plant is excluded, annual turnover would be up slightly on the 1986 result. Brown Boveri said.

Incoming orders during the first half, at just over SFr5bn, were SFr500m down on the corresponding 1986 period.

However, in July Brown Boveri secured a large order for 12 gas turbines from Consumers' Power Company of Jackson, Michigan. This would ensure the order book to grow faster this year than last, the group said.

Brown Boveri will seek authority at an extraordinary general meeting on November 11 for a one-for-five rights issue to holders of both shares and not-voting stock.

Deficit reduced at Elkem

By Sara Webb in Stockholm

ELKEM, the Norwegian metals group, reported a loss of NKr125m ($18.8m) before extraordinary items in the first nine months, compared with a loss of NKr151m the previous year.

The group's results have been affected by low prices for ferroalloys and weak demand during the summer months.

Elkem said that while the international markets for ferroalloys are improving slowly with prices for most products increasing over recent months, these improvements have not shown up in the results yet because deliveries in the third quarter were based on contracts signed when prices were low.

Operating profit rose from NKr51m to NKr149m, with a strong improvement in the third quarter, although the group was hit by currency losses of NKr8m in the quarter. Operating profits are expected to show an improvement this year.

The group's extraordinary items gave net income of NKr22m, compared with NKr2m the previous year, due to the sale of shares in Kvaerner, the leading Norwegian engineering concern, and other companies.

Group turnover rose by 8.5 per cent to NKr5.57bn. Ferroalloy sales moved up 4 per cent to NKr3.66bn.

KIO builds $2.4bn holdings in Spain

BY DAVID WHITE IN MADRID

THE KUWAIT Investment Office (KIO) has built up direct holdings in Spain over the past 14 months worth some $1.77bn, with a further $650m worth of indirect holdings through Torras Hostench, the Barcelona-based paper company, according to representatives in Madrid.

The holdings, valued at current market worth, include important stakes in the pulp and paper, chemical and sugar industries, banking and real estate.

The KIO representatives revealed that the organisation had recently increased its shareholding in Torras Hostench from 37 per cent to 45 per cent, and that Torras had raised its 15 per cent stakes in the chemical groups, Union Explosivos Rio Tinto (ERT) and Cros, to 20 per cent and 22 per cent respectively.

Torras has been negotiating with the chemical companies to resolve differences with Mr Jose Maria Escondrillas, the ERT chairman, and to clear the way for merging the chemical groups' fertiliser interests under a government-backed plan for reorganising the sector. This would in practice mean splitting off part of ERT.

KIO said Torras had also bought up 10 per cent of the shares in the leading Spanish sugar company Ebro.

These investments come in addition to moves to strengthen Torras' position in the pulp and paper industry, with 55 per cent control of Inpacsa, also based in Barcelona, and a 5 per cent interest in the state-controlled Empresa Nacional de Celulosas (Ence).

The KIO representatives said that despite sharp falls in stock market prices over the past few days, the Torras holdings had gained about $300m in value over the original purchase cost. The valuation, which did not include the Ence stake, was based on Monday price levels.

They forecast pre-tax profits for Torras of about $200m this year, compared with Pta9.54bn ($83m) in 1986.

KIO has also become the biggest shareholder in Spain's largest commercial bank, Banco Central, with a 4.95 per cent direct stake and a further 2 per cent bought by Torras.

Other direct interests involve a 34 per cent stake in a property group, Prima Inmobiliaria, and its own real estate in which it has invested $75m.

KIO is, however, in the process of pulling out of the Hotasa hotel chain, in which it holds 30 per cent, and recently agreed to sell to Banco de Vizcaya a 4.65 per cent stake it bought in the bank in July.

KIO emphasised that the main part of its share purchases were conceived as long-term investments and expressed "tranquillity" over the recent stock market upset.

Swiss bank to go ahead with overseas expansion

BY OUR GENEVA CORRESPONDENT

SWISS VOLKSBANK, the fourth largest Swiss bank, believes it can maintain 1987 earnings at the same level as in 1986. But Mr Walter Ruegg, its managing director, warned that the past few days' events on international stock markets makes forecasting difficult.

In any case, Swiss Volksbank is pursuing its plans to boost its activities abroad. It has applied for a state commercial licence in New York and for a securities trading licence in Tokyo. It will shortly open a representative office in Hong Kong.

After operating for two years in London as a licensed deposit taker, Swiss Volksbank has just received from the Bank of England the status of a fully recognised bank.

Last year, the Zurich-based bank booked net earnings of SFr116.3m ($79m), up 15 per cent from 1985. Total assets increased by 12.8 per cent, to SFr28.9bn.

In the first nine months of this year, the balance sheet total climbed by 10.8 per cent to just over SFr32bn, a faster rate of growth than that recorded in the corresponding period

Profit development had been on the whole "very satisfactory," Mr Ruegg said. In particular, a vigorous increase in income from securities business had been achieved in the third quarter.

Nokia trebles earnings

BY OLLI VIRTANEN IN HELSINKI

NOKIA, Finland's largest publicly quoted company, with interests in electronics, cable, paper and rubber products, has trebled its profit before taxes and minority interests to FM668m ($153m) during the first eight months of 1987, compared with the corresponding period last year.

This compares with a profit of FM694m for the whole of 1986. Net sales during the first eight months of this year increased by 17 per cent to FM8.29bn. Nokia expects net sales for the full year to increase by 12 to 13 per cent on last year's total of FM 11.99bn.

With the substantial increase in profits and improved liquidity, says Mr Kari Kairamo, the group's chairman, Nokia is now in a better financial position than ever before. Liquidity was largely improved by two warrant bond issues totalling about $200m during the period.

Increased profit and net sales are mainly attributed to electronics, Nokia's largest business sector, with 45 per cent of consolidated net sales. The sector grew by 30 per cent, while all the others increased their sales by approximately 15 per cent each.

Within the electronics sector, the biggest climber was the telecommunications division, which saw net sales increase by 55 per cent to FM769m, while information systems grew by 19 per cent to FM 1.071bn.

BAT Danish affiliate advances

BY HILARY BARNES IN COPENHAGEN

SKANDINAVISK Tobakskompagni, the unlisted Danish cigarettes and tobacco producer in which British American Tobacco has a majority holding, increased pre-tax profits to DKr488m ($72m) from DKr410m in the year ended June 30. Sales increased from DKr1.91bn to DKr2.01bn, with exports up from DKr739m to DKr893m.

Rising exports contributed to the earnings improvement. The company has succeeded over the past few years in strongly boosting the sale of its Prince brand cigarettes in West Germany, where they now rank as 17th most sold brand out of 250

Net financial income increased strongly last year, rising from DKr18m to DKr47m.

Our financial staff look at the current problems of raising funds and new issues

After the crash, cash becomes king

TI Group yesterday became the first British company publicly to kill a takeover in the light of the current stockmarket turmoil. But if the engineering group's action so far down the bid road causes its decision to hit the headlines, the example was hastily being copied by merchant bankers and their clients throughout the City.

"You could say we're pulling everything - left, right and centre," commented one merchant banker. "We had four huge things coming up, a couple of transatlantic deals and a couple in the UK. One was such a good thing we may try to save it, but the others will die."

The immediate problem is simple - the inability to underwrite deals at anything like a reasonable discount.

"Of the half a dozen funds which I would normally approach to take £25m to £50m, a couple have already approached me to say they cannot take one penny," mourns a hard-pressed corporate finance head.

That point is, for once, readily confirmed by most institutional investors - and regardless of the Government's decision over the BP issue.

"While we realise there is good value out there, the volatility is such that that it's impossible to take a view on the market," comments Mr Dick Barfield, head of UK equities at Standard Life. "It's very unlikely we'd be willing to underwrite unless the discounts were very high - which the issuers probably wouldn't want to do."

The need to underwrite, of course, only applies to those deals dependent on the issue of paper by the acquisitor, either to raise cash or fund cash alternatives. The sole bull point to emerge from the past week's turnmoil is that certain potential targets now look considerably more reasonable for those lucky predators with cash in hand.

That, at least, was providing comfort for some houses yesterday.

"Short-term, the market's turn will inevitably result in a reduction in the volume of transactions," argued Mr Michael Sorkin, head of corporate finance at Hambros, "but if markets stabilise, new types of opportunities will emerge. The big hostile, underwritten deals are over for the moment; there'll be more activity by cash-rich clients who were unwilling to pay the high prices before the market crash."

At Morgan Grenfell - which during the first half of 1987 retained its position as the most active merchant bank on the takeover front - Mr Richard Webb, corporate finance director, concurs. "A number of companies with cash resources are dusting off files which have been closed for months." But he concedes that even these clients may stay on the sidelines for a few weeks in the hope that some stability emerges - and that even then the scale of deals will probably be reduced, a reflection of the fact that cash is inevitably limited while paper is expandable.

The real pessimists, however, predict that even cash bids would not be immune if recessionary forces develop. One banker talks of a large leveraged deal which has been scotched on the grounds that the purchasing client would be ill-advised to take on so much debt in the light of economic uncertainties. "There is a danger that if many boardrooms think the same way, the cumulative effect could encourage a slowdown in the real economy," he warns.

> ***The City Code on Take-overs and Mergers***
>
> *1. Failure to proceed — exceptional circumstances*
>
> *A change in general economic, industrial or political circumstances will not justify failure to proceed with an announced offer: to justify a decision not to proceed, circumstances of an exceptional and specific nature are required.*

If bid activity has, in many cases, either been aborted or at least put on ice, other aspects of corporate finance activity are faring a good deal worse. Conventional fund-raising plans have universally returned to the back-burner - leaving some advisers to predict a surge in higher yielding convertible issues.

On that note, **Allied London Properties** yesterday reported a gratifying 55 per cent take-up on its £40m issue of 5¾ per cent convertible preference stock - something of a success given the market conditions. Last night the stock was trading at 97p against the 100p issue price.

On the new issue front two brave companies have bucked the trend this week to come to the Unlisted Securities Market by way of placings. Both Fairway, a distributor of office stationery, and the **Company of Designers**, argued that they had invested too much management time and effort to abort at this stage. Instead, they cut the price of their shares and issued more of them in order to raise the same amount of money as originally intended.

But **Allied Restaurants**, a franchised Wimpy Burger chain, **Paragon**, a firm of public relations consultants, and **Blazer**, a specialist retailer, have all shelved their issues until conditions are more favourable.

For those companies already well down the takeover path, meanwhile, TI's last-minute decision focuses attention on the ability to clamber out of deals on either side of the Atlantic.

Although one US banker said that a company which had launched a formal tender offer would not normally be allowed to change its mind, TI is confident - on advice of US and UK lawyers - that its fiduciary duty to shareholders under UK law reigns supreme.

It is an argument that is likely to be tested by **Bundy** shareholders who yesterday saw the price of their shares nearly halve once the prop of TI's cash offer was unexpectedly removed.

In the UK, despite the Takeover Code's clear guidance that a change in general economic, industrial or political circumstances does not justify a failure to proceed, the issue has not been put to the test in recent memory.

Any effort by a bidder to apply offer documents' standard "material adverse effect" clause to external circumstances rather than a specific development at a target company (as in mid-bid renegotiation of the APV merger with Baker Perkins) would probably provoke a lengthy legal challenge.

The suddenly reluctant bidder has easier ways of escaping, however - most simply perhaps by deciding not to waive the requirement of 90 per cent acceptances. In theory, a bidder looking for a way out could quietly heave a sigh of relief at failing to reach this level, declare the offer lost (even if a majority of shareholders had accepted)

But if one message rang out clearly yesterday, it was that voiced by Mr Richard Templeton of Robert Fleming: "Cash is king at the moment."

Report by Nikki Tait, Clay Harris, Steve Butler and David Waller.

N. Brown profits up 79% to £5m at halfway

By Alice Rawsthorn

N. Brown, the mail-order group which has recently diversified into financial service, yesterday announced a 79 per cent increase in pre-tax profits to £4.9m for the first half of its financial year.

Mr David Alliance, who is chairman and whose family owns a controlling interest in the group, said that the present autumn/winter season has "begun well" for the mail-order division and that the financial services business is experiencing "strong growth".

Group turnover rose by 37 per cent to £41.3m in the six months to August 29. Earnings per share increased to 11.5p (7p). The board proposes an interim dividend of 3p (2.25p) and to split the ordinary shares into two.

Mail order, specifically the J.D. Williams series of catalogues, still provides the bulk of N. Brown's business. The turnover of this division increased by 30 per cent to £38.8m and profits by 40 per cent to £2.9m in the first six months of the year.

This summer the group acquired Hartingdon House and Aldrex, two direct mail-order businesses and is intent upon pursuing further "niche" acquisitions within the mail-order sector. It is continuing to develop new mail-order concepts and is continuing an experimental joint venture with Marks and Spencer, the retail group.

Last year N. Brown diversified into financial services with the acquisition of Merfitt & Turnbull, a specialist life and pension brokerage. It has since augmented that business by buying Daly, Harvey MacKay which is based in Birmingham.

The group has also ventured into commercial property services with the purchase of Dunlop Heywood. These financial and commercial property activities contributed pre-tax profits of £1m in the first half.

Mr Alliance expressed his "confidence" in the group's prospects for the full year.

•comment

At a time when so many mail-order houses are falling over themselves - and often flat on their faces - in an attempt to prove just how young and fashionable they can be, N. Brown has stuck stubbornly to its elderly and old-fashioned catalogues. The result has been extraordinarily successful; so much so that the company not only starred as one of the best performing stocks in the bull market but has emerged unscathed from the crash. The move into financial services makes numerical sense - in that it will balance a cash-hungry mail-order business with new cash generating activities - but has the added advantage of creating a new market for the N. Brown database. The benefits of last year's acquisitions are now flowing through and the City expects a surge in profits to £13m and earnings per share of 30.6p for the full year. In an orderly market that should ensure another rise in the share price....but in current conditions, who knows?

Celltech planning private placing to fund expansion

BY DAVID FISHLOCK, SCIENCE EDITOR

Celltech, British bio-technology research company, is planning a private placing of shares both in the UK and abroad to raise millions of pounds in support of its plans to become an international bio-pharmaceutical manufacturer.

The seven-year-old company has a portfolio of six of its own pharmaceutical inventions, some of which could cost about £30m-40m to bring to the market.

Celltech's turnover - expected to exceed £11m in 1986-87 when it should also show a small profit for the first time - derives mainly from contract research and manufacture.

Mr Gerard Fairtlough, chief executive, explained Celltech's plans for expansion in London yesterday and said typically it was reckoned to cost about $100m (£59.5m) to bring a major new drug on to the world market.

But Celltech planned to focus on Britain and western Europe, while other major markets such as the US and Japan would be exploited through partnerships.

Drugs for which the company has great hopes include agents for treating toxic shock and brain haemorrhage, and for protecting bone marrow against damage by radiation and anti-cancer drugs during cancer therapy.

Mr Fairtlough acknowleged that should all its drug prospects succeed in reaching the market, Celltech would need a great deal of cash to exploit them: "But that *is* the kind of problem I would like to have."

Mr John Huckle, Celltech's finance director, said that the company was going for a private placing rather than a public share offer because it believed it would find it easier to appeal to the public when its bio-pharmaceutical strategy was more fully developed.

Mr Huckle said the company was confident from soundings among its shareholders that most of its new money would be raised in Britain.

Its biggest shareholders are British & Commonwealth Holdings, Prudential Assurance and Midland Montagu. Barings is handling the placing, which it hopes to complete by the end of the year.

Celltech also announced a new production contract, said to be worth several million pounds, from a Johnson and Johnson subsidiary in the US, Ortho Pharmaceuticals, to make hundreds of grams of a new genetically-engineered drug called erythropoietin (EPO), a hormone which boosts red cell production and can help counter anaemia in cases of kidney failure.

Ortho has financed construction of a dedicated cell culture plant at Slough for the manufacture of EPO over the next two years, for clinical trials and early market development.

Mr Fairtlough described the contract as an "outstanding endersement of our skills in the manufacture of mammalian cell systems".

All-round rise lifts Pressac 64% to £2.8m

Pressac Holdings, electro-mechanical component manufacturer and precision engineer, yesterday reported sharp increases in turnover and profits for the third successive year.

Sales for the 12 months to July 31 were up by almost £6m and exceeded £30m for the first time, while pre-tax profits were up by 64 per cent from £1.72m to £2.83m.

After tax of £1.16m (£809,000), minorities of £12,000 (£10,000) and £42,000 for the preference dividend net attributable profits were £1.62m (£863,000) for earnings of 20.2p (10.8p). The total dividend is raised from 2.5p to 3.125p with a proposed final payment of 2.275p (1.8p) per 10p share.

Mr John Wagstaff, chairman, said the substantial increase in group profit was achieved by an excellent all-round performance. Sales showed good growth in telecommunications, automotive, TV and specialist engineering. Tight overhead control ensured that this growth was more than proportionately converted into higher profits.

Overseas sales now represent over £7m of turnover. The improvements were particularly noticed in the US where demand for the group's products continued to strengthen impressively.

The new financial year had commenced well.

•comment

Pressac is a company transformed. In early 1985 chairman John Wagstaff took over an old fashioned family firm (started, as it happens, by his father just after the war but with different management in between) that had got big but didn't know how to handle it. In tandem with finance director Geoff White, Mr Wagstaff cleaned up the company, taking it from a £2m overdraft at July 1985 through a cash neutral position last year and to the present £730,000 cash-in-hand. The three divisions, automotive, telecommunications and TV, contribute equally to sales though cars give marginally higher profits. Pressac makes 50,000 printed circuits for dashboard instrument control panels every day, and has 50 per cent of Ford and Chrysler's US business and 20 per cent of GM's. A downturn in the US economy could heavily hit the auto side. On the telecommunications side, Pressac is the largest supplier to BT of wall sockets (the white boxes our phone leads go into) and it makes 85 per cent of all the extension socket kits sold. A new product, to enable BT to remotely test equipment to ascertain whether the fault is its or private equipment, is a big growth area. The shares closed 10p up yesterday at 265p.

Warner Howard rises 32%

Warner Howard Group, the equipment maker which came to the stock market in June, announced a 32 per cent rise in pre-tax profits from £1.21m to £1.6m for the half year ended August 31.

Turnover for the group, which is a leading supplier of commercial laundry systems and warm-air hand dryers, was £6.31m (£6.11m). Mr Ronald Hooker, chairman, said the core business had been expanded with increasing emphasis upon new rental business, resulting in higher margins.

An interim dividend of 0.93p is being paid from increased earnings of 4.58p (3.85p) per 5p share.

Activity remained at a high level, the chairman said, and the second half was viewed with confidence.

He added that the group's strong financial position enhanced opportunities for appropriate acquisitions and that negotiations were underway to acquire a complementary business of modest size.

The group had recently introduced a further range of commercial laundry equipment suitable for rental, which was of particular interest to local authorities. In addition, the introduction of new hygiene products would benefit from the existing customer base. Those products were not expected to contribute to profits during the current financial year.

Operating profits for the six months came out at £1.67m (£1.35m) and the pre-tax result was after interest charges of £72,000 (£139,000). Tax took more at £559,000 (£351,000). Last time there were minorities of £2,000.

Company of Designers adjusts terms for debut

BY DINA MEDLAND

The Company of Designers, supplier of a multi-disciplinary range of design services from architecture and engineering to retail and interior design, yesterday announced that it would go ahead with its planned debut on the Unlisted Securities Market despite the continuing volatility in the equity markets.

The company has altered the terms of its placing, however, reducing the planned price of the shares on offer from 145p to 100p and increasing the number of new shares offered to raise the same money. However, some existing shareholders have chosen not to sell shares at current prices.

Mr John Taylor, executive chairman, said "we have decided to join the hopeful and go ahead". The company was seeking a flotation in order to widen awareness and enhance its reputation, he said, and there was no point in turning back now.

The Company of Designers was formed in January last year, bringing in new skills to the existing merger of two independent partnerships run by Mr Taylor and Mr John Warren (now deputy chairman). The expanded group has won numerous awards in the field of design.

Further acquisitions are planned, according to Mr Godfrey Mansell, finance director.

It is issuing 2.5m new shares and existing shareholders are selling 468,469 shares to raise £3m. The placing shares represent 28 per cent of the enlarged share capital.

The Company of Designers is capitalised at £10.73m at the placing price, representing a multiple of 12.1 times estimated historic earnings for the year-ended September 30.

Pre-tax profits for the year ending September 30 are estimated at £1.15m (£966,000) on turnover of £5.8m (£4.8m). Estimated earnings per ordinary share based on the profit estimate and on an estimated 38 per cent tax charge are 8.3p (7.8p). Current indebtedness, including bank borrowings, was some £883,458 at the close of business on September 30.

Based on notional dividends of 3p for the year-ended September 30, the gross dividend yield at the placing price would amount to 4.1 per cent.

The profit estimate for the latest year includes a pre-acquisition trading loss of about £50,000 incurred by Burnet Tait, the London-based architectural company acquired in June. Burnet Tait is still losing money but hopes to be in profit by the year-end, the company said.

The company's banker is Samuel Montagu, and broker to the issue is Laurence Prust. The placing closes on Friday, with dealings commencing on November 3.

Crest Nicholson sells electronic side for £1m

By Dina Medland

Crest Nicholson, building and property development group, has reached agreement for the sale of its electronic interests to Oglesby and Butler Group for about £1.03m in cash.

The sale consists of W.Greenwood Electronic and the business and assets of Oryx Electrical Laboratories, businesses which showed a large fall in pre-tax profits from £112,000 for the year-ended October 31, 1985 to £7,000 for the year-ended October 31, 1986. Net tangible assets at that date were £1.1m.

Crest has raised some £14m in cash through businesses sold during the last year, the company said, adding that this was part of its strategy "to concentrate both its financial and management resources on its housebuilding, property and other construction-related activities".

Intl. Signal shareholders agree to merger

By David Waller

Shareholders in **International Signal & Control**, the US defence contractor with a UK listing, have voted overwhelmingly in favour of the agreed merger with Ferranti, the UK electronics company, which took the form of a share-only offer from Ferranti for ISC's shares.

When the £1bn merger was announced last month, there was much speculation that it would be frustrated by a rival bid for ISC and its shares remained obstinately above the value of Ferranti's bid.

However, the threat of another bid has been removed. Shareholders with 74 per cent of ISC's equity have accepted Ferranti's offer, and it has been extended until November 13.

Microfilm ahead at £3m

Microfilm Reprographics, microfilming bureau which moved up to a listing in December 1986, increased its pre-tax profit by two-thirds from £1.82m to £3.01m in the year to June 30.

Turnover last year rose from £8.75m to £11.47m. Tax took £1.1m (£631,000) leaving earnings of 16.2p (9.7p) for the 10p ordinary.

The final dividend is 2p making 3p (adjusted 2p) and there is a one-for-three scrip issue. The board said the level of business throughout the group had continued to increase. Sales and profits for the first two months of the current year were running ahead of the comparable period for last year.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres-ponding div	Total for year	Total last year
Brown (N.) ....int	3	Jan 8	2.25*	-	7.5*
House Prop Ldn ....int	3	Dec 18	3	-	9
Jackson Group § ....int	1	Nov 27	0.6*	-	2.5*
Micro Repro. ....fin	2	Jan 7	1.33*	3	2*
Pressac Hldgs ....fin	2.28	Dec 4	1.8	3.13	2.5
Really Useful ....fin	9.15	-	7.5	13.25	11.25
Viking Resources ..int	0.55	Dec 16	0.55	-	2
Warner Howard ....int	0.93	Jan 11	-	-	-

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §Unquoted stock. ØThird market.

IN BRIEF

VALUE AND INCOME Trust: Net asset value per share rose from 55.1p to 64.2p in the six months to September 30 1987. In the same period, stated earnings per share were 0.57p compared with 0.93p. The interim dividend has been maintained at 0.625p net. Income before tax was down from £585,000 to £479,000.

J.W.SPEAR (games and toy manufacturer): Allied Entertainment Holdings has acquired 36,500 shares and now holds 572,500 shares, representing 14.13 per cent.

FOSECO MINSEP has agreed terms for the sale of its loss-making Craelius operation to Diamant Boart of Belgium for £3.5m cash.

Al-Dahlawi stake in Tranwood

BY NIKKI TAIT

Tranwood, the financial services and hoisery group which takes in mini-merchant bank Ifincorp Earl, yesterday announced a second overseas link-up - this time with a Jeddah-based trading, property and financial services group.

The Al-Dahlawi Company is taking a 5.9 per cent stake in Tranwood and its chairman, Shaikh Amin Dahlawi, is to join the Tranwood board.

Yesterday, Mr Peter Earl - joint deputy chairman of Tranwood and the founding force behind Ifincorp Earl - described the transaction as a "a carbon copy" of last August's deal with Geneva-quoted SASEA, a former agricultural holding company which has been built into a financial services group over the past two years. In that case, SASEA purchased a 6.1 per cent stake and also took up a boardroom seat.

In both instances, said Mr Earl, Tranwood hoped that the overseas links would produce international opportunities on the merchant banking front and provide business for its Ariel agency stockbroking operation.

Ifincorp Earl already has contacts with the Al-Dahlawi Company: in two of its previous "demerger" bids - for communications group, Extel, and for building company, London and Northern - the Saudis acted as underwriters. According to Mr Earl, the company dates back to the 1800s, when its fortunes were founded on spice trading.

Shaikh Amin Al-Dahlawi's most public profile in the UK recently has been as a partner in the St James Club business alongside Mr Peter de Savary - sold to Norfolk Capital last August

The Saudi interest in Tranwood - 4.8m shares - has been purchased principally from Mr Earl and Mr Nick Oppenheim, Tranwood's former chairman and now the other joint deputy chairman. Private companies owned by the two directors have agreed to sell Al-Dahlawi 2m shares apiece at 42p. Just two weeks ago, Mr Oppenheim bought 250,000 shares at 58.5p and and Mr Earl 50,000 at a similar price.

Yesterday, Tranwood shares rose 9½p to 53½p.

UK COMPANY NEWS

Really Useful lifts profits 33% to £5.75m

By Fiona Thompson

ANDREW LLOYD WEBBER's Really Useful Group yesterday announced full year profits up 33 per cent and plans to widen the creative base of the company by signing up another artist.

For the year to June 30, 1987, pre-tax profits rose to £5.75m, compared with £4.32m, on turnover of £21.71m against £15.69m. Successful touring productions of Cats in the US contributed to the profits increase, as did a substantially increased input from the Palace Theatre.

The 15 productions worldwide of Cats produced 70 per cent of profits. In the UK The Phantom of the Opera has been a big box office success and the London production is expected to recover its £2m costs next month. Broadway's Phantom, to open in January 1988, has already taken $7m in advance bookings and the expectation is that this could reach $30m.

Three other major productions scheduled for the current financial year are a Tokyo two-month presentation of Starlight Express in a 10,000-seat arena next month, a Tokyo Phantom in April next year and a Hamburg production of Starlight Express next May.

Mr Michael Sydney-Smith, finance director, said yesterday that the company would like to expand its creative base so as not to be so totally dependent on Andrew Lloyd-Webber's output, and talks were now taking place with possible artists. Mr Lloyd Webber's next production, thought to be a musical about the Bloomsbury set, is expected in early 1989.

Royalties payable totalled £12.27m for the year, against £9.43m. Of the £7.11m (£5.08m) net income, theatre productions contributed £5.49m (£4.38m), theatre management, that is The Palace, £926,000 (£268,000), and other activities - the publishing, recording and video interests - £694,000 (452,000).

Earnings per share rose from 24.8p to 31.9p. A final dividend of 9.15p is proposed making 12.25p for the year. A 1-for-1 scrip issue was announced.

The shares closed unchanged at 505p.

House Property profits ahead

House Property Company of London reported interim pretax profits up from £13,000 to £98,000. Earnings per 50p share for the six months to the end of June 1987 came out at 6.2p, against 1.3p and the interim dividend is unchanged at 3p.

Directors said they were pursuing a number of negotiations which could expand the scope and scale of the company's activities.

The result was achieved on net rental income, profit on property dealing and interest receivable of £145,000 (£46,000).

Matthew Brown board calls for MMC inquiry

BY CLAY HARRIS

THE CONTESTED £186m takeover battle for Matthew Brown, concluded on Monday when Scottish & Newcastle Breweries won control, continued to rumble yesterday in bitter exchanges between the two brewing groups.

Matthew Brown directors urged the Secretary of State for Trade and Industry to refer the S&N bid to the Monopolies and Mergers Commission. They also said: "The takeover is purely a result of external influences which were not related to the bid and may lead to many job losses in an area where the people concerned are unlikely to find other employment."

The directors' statement was attacked as "quite misleading and quite peculiar" by Mr Alick Rankin, S&N chief executive, who said that the Blackburn-based brewer was now a subsidiary of his company. "We can understand the emotion and the shock of finding that their company has succumbed to last night's close."

S&N believed that there was no justification for another Commission reference in the wake of an 1985 inquiry which cleared it to bid for Matthew Brown. Although the bid has been declared unconditional, the Government in theory could still order S&N to maintain Matthew Brown as a separate operation pending a new investigation, which could lead to divestment.

S&N could not, however, withdraw its existing offer. On Monday, after acceptances raised S&N's interest to more than 56 per cent, the Edinburgh-based group waived all conditions on its bid so that it could immediately close the 750p cash alternative, the attraction of which had been enhanced by the collapse in world share prices.

Holders of fewer than 460,000 Matthew Brown shares had accepted the share offer by Monday. The cash was accepted on behalf of more than 6.04m shares.

With S&N shares 11p lower yesterday at 192p, the three-for-one offer values Matthew Brown at 576p, against a market price of 600p after a fall of 63p.

Elders in Greene King raid

BY CLAY HARRIS

SHARES in Greene King, the Suffolk brewer, rose 28p to 458p yesterday as Elders IXL, the Australian-based brewing, financial services and pastoral group, staged a share raid to try to raise its stake to nearly 15 per cent.

Mr Simon Redman, Greene King managing director, said: "I am told that they went out there offering to pay as much as 448p a share, indicating that they would be willing to take that share up to 14.9 per cent."

Mr Andrew Cummins, Elders' group director for strategy, confirmed that stockbrokers Hoare Govett had picked up sufficient shares to raise Elders' holding above the 5 per cent disclosure level. Greene King last week revealed that Elders had amassed about 4.9 per cent through a number of nominee accounts.

Elders, whose brewing interests include Fosters lager and Courage, was continuing to seek trading links with Greene King, Mr Cummins said. The Suffolk group had rebuffed his previous requests for discussions.

"It's only when you have a few shares under your belt that a company actually will talk to you," Mr Cummins said.

Courage and Greene King had complementary interests because the former had few public houses in East Anglia. Mr Cummins believed that Courage could strengthen Greene King's "relatively weak lager portfolio" and might in turn stock some of the latter's brands.

Dutch electronics group buys 10.3% of Zygal

BY MIKE SMITH

Zygal Dynamics, USM-quoted computer products company, announced yesterday that Geveke Electronics, a Dutch company with similar interests, had bought 10.3 per cent of its shares.

Mr Con Driscoll, chairman, said Geveke had made the move at Zygal's request. The two companies planned a close relationship and would probably start distributing each other's products soon.

Zygal is free of fears of an unwanted takeover being launched as directors own more than 60 per cent of the equity.

Geveke was able to acquire its stake following Zygal's purchase earlier this month of Coulson Heron, a computer equipment supplier. The £7m Coulson acquisition was financed by an issue of shares, 1.5m of which were bought by Geveke.

Geveke distributes computer and industrial electronic equipment throughout Europe, particularly in the Netherlands, Belgium, France and Spain.

Last year it made pre-tax profits of £5.8m on sales of £56m. Turnover this year is expected to exceed £85m.

Majedie assets up

The net asset value per share of Majedie Investments, the London-based investment trust, rose sharply from 262p to 344p in the 12 months to September 30 1987.

Net revenue, however, fell to £2.48m against £2.83m for the previous year. After tax of £769,000 (£988,000), earnings per 10p share came out at 6.51p (7.02p). A final dividend of 4.5p lifts the year's net total distribution to 6.5p (6.25p).

Charterhall stakes raised

BY MIKE SMITH

Charterhall, the investment vehicle of Australian entrepeneur Mr Russell Goward, yesterday disclosed increased shareholdings in two UK companies.

It has lifted its holding in A. Goldberg & Sons, Glasgow-based department store group, from 1.54m to 1.76m shares, representing 10.3 per cent

On October 19 it increased its stake in Bridport-Gundry, maker of netting and twisted and woven products, from 9.09 per cent to 11.36 per cent.

Charterhall last month launched an agreed cash offer for Allebone, valuing the shoe retailer at £38.5m.

Terry Dodsworth looks at Northern Telecom's 28% stake in STC

Link-up for a line to Europe

MR EDMUND FITZGERALD, chairman of Northern Telecom of Canada, is the architect of one of the most aggressive international strategies among the world's large telecommunications companies.

With the group's revenues underpinned by the strong cash flow from its US activities - the result of an earlier phase of expansion - he has embarked on a long-term growth plan to position Northern in Europe and Japan as well. In Japan, the company has already made a critical breakthrough, and can look forward to several years of steady sales of its digital telephone exchange. More recently, he has finally established a bridgehead in Europe, acquiring a 28 per cent stake in STC of the UK after a long, relentless campaign.

The roots of the STC deal go back about nine months. At that time, STC became aware that the 24 per cent of the company held by ITT, the US conglomerate which had originally dominated the affairs of the UK company, might be up for sale. ITT had already sold the majority stake in most of its European telecommunications activities to Alcatel of France. It had kept back the STC shareholding, but was evidently determined to sell it at some point.

STC directors were naturally worried that the ITT stake might fall into hostile hands, and were equally concerned to conclude a deal which would fall in with their own ambitions for growth. Their first thought was for a tie-up with Fujitsu, the Japanese electronics group which supplies ICL, the STC subsidiary, with some of its key computer components. But Fujitsu had too much on its plate with expansion plans elsewhere.

Edmund Fitzgerald, chairman of Northern Telecom "We have been pretty smart"

Northern appears to have been STC's next choice - and the approach gelled. Mr Fitzgerald saw a link with STC as the opportunity he had been looking for to establish his European base, albeit mainly in the UK. "We have the products and they have the knowledge of the market," he says.

By September, Northern was negotiating hard with ITT in New York and beginning to have some problems over price. The US company was sticking out for something around 400p a share for the STC stake, a premium of well over £1 to the share price at that time, and subsantially over independent assessmonts of thecompany's underlying worth of around 330p.

To force the issue, Northern went into the market and bought 3.8 per cent of STC's shares - about 21m - at between 280p and 290p. It was a delicate operation because Northern wanted to give ITT a jolt to conclude the deal without going over the 5 per cent level, which would have meant that it would have had to declare its holding. But the manoeuvre worked. ITT finally sold at 340p a share, giving Northern a total average cost for its stake of 333p. "We thought we had been pretty smart," says Mr Fitzgerald, with a chuckle.

Even today, with the STC share price down to 228p in the general stock market debacle, Mr Fitzgerald believes that Northern has done a good deal. "I don't see any reason why the agreement should be seen in a different way today than it was when we did it," he says.

Financially, the immediate impact of the deal on Northern is likely to be minimal: the group's share in STC's profits will offset the cost of the purchase in terms of reduced income on Northern's cash and increased borrowings. In the longer term, however, there are two sizeable questions hanging over the transaction.

First, the industrial logic of the link-up depends on the ability of the two companies to use each other's distribution networks. STC has a large portfolio of transmission equipment, but this will need adaptation for the North American market. Northern, on the other hand, has what is widely agreed to be excellent switching technology, but is faced with exceptionally tough markets in Europe.

On this score, Mr Fitzgerald believes that Northern should be able to win through with the help of the contacts STC already has at British Telecom, and its own low costs - a product of the homogeneous American market. "I believe we are the world's low-cost producer," he says.

Second is the issue of STC's ownership of ICL. This is inevitably a contentious question in the UK because of ICL's position as the country's leading indigenous computer manufacturer. Its independence from foreign domination could easily become a political issue, while its relations with Fujitsu complicates transactions with other companies.

Already the ICL situation has caused one problem: Northern will be forced to divest the 3.8 per cent of STC bought in the open market. This is principally because Fujitsu has objected to the Canadian group holding more than a 25 per cent stake, at which point it can block special resolutions from other shareholders.

For the time being this is not a major problem. But in present market conditions, it means that Northern may have to sell the shares for substantially less than their acquisition price. And it draws attention to possible conflicts in future: indeed, some analysts are already asking whether, ultimately, Northern and Fujitsu can co-exist together.

John Haggas in £5m wool retail expansion

BY MIKE SMITH

John Haggas, Yorkshire-based textile group, is to buy Newarke Wools and Hermit Wool shops, both privately-owned retail companies, for about £5m.

It is paying an initial £4m for Midland-based Newarke, which last year made pre-tax profits of £336,000 on sales of £5.7m, almost all of which were of hand knitting wools.

Haggas is paying £1.8m in cash and issuing 1.3m shares for the purchase. It will also pay up to £262,000 for shares in Newarke which may be issued if options are exercised during the six months following completion.

Hermit, based in the north-east of England, made pre-tax profits last year of £31,000 on sales of £2.1m. Again nearly all the sales were of hand knitting wools.

Haggas is paying for the acquisition with 492,611 shares, valuing the company at about £800,000.

Sound Diffusion not opposed to bid

BY MIKE SMITH

Sound Diffusion, the troubled electrical equipment group, was last night considering a request for detailed information about its affairs from Tunstall Group, the security equipment group with which it is in merger talks.

In its first statement since Tunstall expressed an interest in an agreed merger earlier this month, Sound Diffusion said it was "not opposed" to offers being made for its shares.

The board was carefully considering Tunstall's request "having regard to the extent to which the release of information could prejudice the company's competitive position in its product markets."

Earlier this month Sound Diffusion reported pre-tax profitsof £5.67m, more than £4m lower than audited figures released in June. Throgmorton Trust, holder of 8.5 per cent of the Brighton-based group, called on Mr Paul Stonor, Sound Diffusion's chairman, to resign.

Tunstall, which has nearly 5 per cent of the company's shares, wants the information from Sound Diffusion "before evaluating an appropriate level at which an offer might be made."

Viking Resources

Net asset value per 25p share of Viking Resources Trust stood at 77.8p at September 30, an improvement of 26.8p over the stated figure a year earlier.

The directors said the increase reflected continued stability in oil prices.

For the half year to end-September net revenue rose from £240,000 to £321,000 after deducting tax of £139,000 against a previous £103,000. Earnings amounted to 0.8p (0.6p) and the interim dividend is a same-again 0.55p.

Jackson Group

Taxable profits of Jackson Group, Ipswich-based construction and industrial services group quoted on the market made by Granville, rose by just over 9 per cent from £480,000 to £524,000 in the six months to end-June 1987.

Turnover also showed a marginal increase, from £17.88m to £18.1m. The interim dividend is raised to 1p compared with an adjusted 0.6p last time.

Ashtead ahead

The recent hurricane should boost the business of Ashtead Group, USM-quoted plant hire group, Mr Peter Lewis, chairman, told the annual meeting. He added that half the group's profit centres were in affected areas.

The benefits from the Keyplant acqusition were ahead of budget and profits for the first five months were substantially higher than the previous year, he said. Gearing was down to 80 per cent against 122 per cent at the end of the previous year.

NatWest Investment

NatWest Investment Bank - together with certain funds under its management - yesterday announced 6.08 per cent interest in Anglo and Overseas Trust, the larger of the two Morgan Grenfell-managed investment trusts. Shares in Anglo initially rose on the news.

Kennedy Brookes' £64m deal

BY STEVEN BUTLER

Kennedy Brookes, leisure and restaurant group, is continuing with the rapid expansion of its hotel division, announcing yesterday the purchase, for £64m in cash and shares, of two hotels from the Barclays Hotels Group, owned by Mr David Barclay and Mr Frederick Barclay.

The deal, which involves the Londonderry Hotel in London's Park Lane and the Howard Hotel in Manhattan, will leave Barclays holding 11.5 per cent of Kennedy Brookes.

The consideration is to be satisfied by the issue to Barclays of 4.87m new ordinary Kennedy Brookes, calculated at 390p per share, and a £45m cash payment. Kennedy Brookes shares yesterday closed at 335p.

Mr Michael Golder, Kennedy Brookes' chairman, said that the Park Lane hotel would be used as a flagship and promotion tool for the other hotels in the group.

Kennedy Brookes has bought a number of hotels this year following a £16m rights issue in May. Recent purchases include the Heritage group of 11 hotels, and the Onslow Court Hotel, at Queen's Gate, Knightsbridge, which was the group's first entry into the London hotel market.

Upon completion of the deal, about 80 per cent of Kennedy Brookes assets will be in the hotel industry.

The 107-room Londonderry Hotel is held on a 103-year lease, and planning permission has been obtained for a further 43 bedrooms, and two two-bedroom apartments, which are estimated to cost £3.5m to build.

Lysander expands and cuts losses

Lysander Petroleum, London-based holding company with interests in oil and gas exploration, development and production in the US, incurred losses on its ordinary activities of £78,808 in the year to March 31 1987. This compares with losses of £264,283 in the previous year. The loss was transferred to reserves.

The group also announced that it had entered into a conditional contract to acquire the entire issued share capital of Crossroads Oil Company.

Consideration will be satisfied by the issue, credited as fully paid, of 12,543,821 new ordinary of Lysander, of which 8,780,675 will be issued to the vendors at completion and 3,763,146 thereafter if the pretax profits of Crossroads for the 12 months to March 31 1988 are at least $750,000 (the profit figure warranted by the vendors).

Crossroads business is the financing of oil and gas exploration and development in the US

Why Halloween witches must pay more for pumpkins

BY DEBORAH HARGREAVES IN CHICAGO

FOR THE last couple of weeks, roadside stalls in the US Midwest have been groaning under rows of fat pumpkins as farmers rush to cash in on the Halloween market. But this year's harvest has been so poor, farmers fear that there will be a shortage of pumpkins to supply the strong demand from a public, eager to carve the ultimate Halloween lantern or bake sickly pumpkin pies.

The hot summer weather, which was followed by rainstorms has left a large part of the pumpkin crop rotting in abandoned fields. The shortage has also pushed prices up by several cents a pound.

The poor weather has hit many new pumpkin growers, who have started to plant "consumer" products like pumpkins in recent years, to offset losses in unstable markets for some of the more traditional Midwest crops. "There is a high margin on pumpkins if you have a good crop," comments Ms Daryl Srail, who runs wagon rides for school groups to pick their own pumpkins at her farm near Geneva, Illinois.

Ms Srail has had a good crop this year, because she planted on a hill so that the rain would run off, but says her prices have gone up to 20 cents a lb from last year's 18 cents. A lot of farms will not be open for people to pick their own pumpkins, says an official from the American Farm Bureau, who warns that the biggest pumpkins are not necessarily the best as they may be rotten inside.

Ms Srail plants 25 to 30 acres with pumpkins each year, but says, in spite of the high margins, she would not grow them unless she had been doing so for the last 20 years. "Pumpkins are an incredible amount of work and it costs thousands of dollars to look after them," she explains. For the last couple of days, she has been having to cover her pumpkins at night to avoid freezing temperatures.

Nevertheless with a good-sized specimen selling for $10, farmers can make a lot of profit during the short pumpkin season. The market is virtually over at the end of October with very few of the fresh vegetables sold after October 31, except at lower prices for processing. Most farmers will be watching the market very carefully this week, moving their vegetables to different locations in order to sell they by Hallowe'en.

Some will send them to burgeoning city "farmers' markets," which have sprung up in major cities in recent years as high-margin outlets for hard-pressed farmers. These farmers will also grow other types of squash vegetables and ornamental corn cobs, which are very popular at this time of year, the American Farm Bureau official says.

Meanwhile, the pumpkin shortage is not likely to cause much of a rush by the brigade of Hallowe'en witches on their "trick or treat" missions. "There was an oversupply in previous years," the Farm Bureau notes, "this should correct the balance."

Slow start for Kuala Lumpur tin futures

By Wong Sulong in Kuala Lumpur

TIN FUTURES trading began on the Kuala Lumpur commodities exchange yesterday on a cautious note, following the crisis on the world's stock markets.

A total of 145 lots of one tonne each were transacted during the two trading sessions, with prices for November delivery opening at US$ 683 and closing at $684. No foreign tin was offered.

The KLCE tin futures market is the only one of its kind. Tin trading on the London metal exchange was halted in late 1985 after the International Tin Council's market support operation collapsed.

WEEKLY METALS

All prices as supplied by Metal Bulletin (last week's prices in brackets).

ANTIMONY: European free market 99.6 per cent, $ per tonne, in warehouse, 2,270-2,320 (2,280-2,310).

BISMUTH: European free market, min 99.99 per cent $ per lb. tonne lots in warehouse 4.65-4.80 (4.65-4.75).

CADMIUM: European free market, min 99.95 per cent, $ per lb. in warehause, ingots 2.90-3.05 (2.70-2.95), sticks 2.90-3.05 (2.70-2.95).

COBALT: Europan free market, 99.5 per cent, $ per lb, in warehouse 6.45-6.70 (6.50-6.70).

MERCURY: European free market, min 99.99 per cent, $ per flask, in warehouse, 300-308 (305-310).

MOLYBDENUM: European market, drummed molybdic oxide, $ per lb Mo, in warehouse 2.88-2.95 (2.85-2.95).

SELENIUM: European free market, min 99.5 per cent, $ per lb in warehouse, 6.45-6.65 (6.35-6.50).

TUNGSTEN ORE: European free market, standard min 65 per cent, $ per tonne unit WO_3, cif, 42-53 (39-53).

VANADIUM: European free market min 98 per cent V_2O_5, *other sources*, $ per lb V_2O_5, cif 2.80-2.90 (same).

URANIUM: Nuexco exchange value, $ per lb U_3O_8, 16.65 (same).

EC Commission rejects call to destroy surplus food stocks

BY QUENTIN PEEL IN BRUSSELS

THE EUROPEAN Commission yesterday dismissed as unrealistic a call by the European Parliament for surplus food stocks to be destroyed rather than stored indefinitely.

The radical suggestion in a comprehensive report into the problem of excess food stocks was based on the argument that food stocks more than two years old may be virtually valueless.

The Commission also warned against "excessive optimism" that major inroads into surplus food stocks could be achieved by a use of new forms of export subsidies, through on-farm uses of crops, or industrial uses.

Mr Peter Sutherland, speaking on behalf of Mr Frans Andriessen, the Agriculture Commissioner, told the European Parliament that the Commission was not considering the possibility of destroying food surpluses.

"The Commission feels that much time could be wasted and false fears or hopes raised, were it to consider stock destruction, as it believes such action would be politically unacceptable," he said.

He also refused to endorse a suggestion in the report, compiled by Mr Michael Debatisse, that member states should take over more financial responsibility for the food stocks.

The report commands widespread support across the political spectrum in the Parliament, and is likely to be overwhelmingly adopted in two weeks time.

No MEPs spoke against the stock destruction proopsal in the debate in Strasbourg yesterday.

The Commission called on the Parliament to backi tts conclusions with actions in its annual debate on the farm price review, and support the Commission in its attempts to reduce the level of price support and overhaul the whole Common Agricultural Policy.

US seeks oil embargo support

BY RICHARD JOHNS

THE US trade embargo on trade with Iran announced on Monday by President Ronald Reagan will have little affect on its oil exports and economy unless Japan is pressurised into halting purchases of crude from the Islamic Repubiic.

The Administration is to make appeals through diplomatic channels Japan and West European governments to follo wits lead, according to industry executives. They said, however, that a plan to send a senior official delegation to the capitals of friendly consuming countries has been dropped because Washington recognised that co-operation was unlikely to be obtained.

In Tokyo yesterda yJapanese officials quoted Mr Tadashi Kurunari, the Foreign Minister, as saying that Japan would proceed cautiously and work out its own policy after hearing US views.

Nine Japanese trading companies have term contracts with Iran involving 265,000 barrels a day out of a total of rather more than 400,000 b/d disposed of in this way and collectively constitute Iran's biggest export outlet on a long-term basis.

In July US imports of Iranian oil soared to 6330,000b/d because the price was particularly attractive. More than half of this volume was probably accounted for by purchases made by Amerada Hess to feed its Virgin Islands r efinery, according to a recent estimate by Petroleum Intelligence Weekly.

The high level recorded prompted the vote by Congress three weeks ago to ban all imports from Iran. The actual rate since July is believed to have fallen substantially, however.

Apart from Amerada Hess, other significant importers of Iranian crude into the US market are reckoned to be Coastal, Marathon, Atlantic Richfield, Texaco and Sun Oil.

Traders said yesterday that such companies would have to find similar varieties of crude elsewhere, meaning that others would turn to Iran and take up any slack in demand for its oil.

Diplomatic entreaties by Washington are expected to receive a polite but basically unsympathetic esponrse fom West European governments.

After Japan the most important market for Iranian oil is Italy, which imported about 110,000 b/d in the first seven months of this year. There was no official comment from Rome yesterday on the US measure but Italy, like West Germany, would be reluctant to risk its commercial links with Iran in order to satisfy Washington.

Apart from its term contracts,, Iran disposes of about 450,000 b/d in state-to-state barter agreements and a similar amount in so-called "processing deals" whereby it exchanges crude for refined products. A proportion of the latter are used to satisfy domestic requirements and the rest sold on the open market.

In addition Iran has exported up to 500,000 b/d on the spot market. Its own requirements, including product imports, amount to 600,000 to 700,000 b/d.

The EC's low cost farm sectors

TWIST THE arm of a beleagured farm official in Brussels or one of the national capitals of the European Community member states and he might tell you that, just occasionally, the common agricultural policy can boast a success story—at least from the taxpayers' and the consumers' viewpoint. The pigs and poultry sectors are cases in point. Between them they account for some 20 per cent of the EC's total farm production, yet their cost to the taxpayer is minimal.

The figures are instructive. The inelegantly-named pigmeat, and poultry meat sectors between them make up 65 per cent of all meat consumed in the EC. The remainder is accounted for by beef (32 per cent) and sheepmeat (3 per cent). Yet in 1986, while support costs for beef totalled Ecu 3.5 bn (£2.4bn) and sheepmeat's Ecu 600m, only Ecu 152m was spent on pigmeat and about Ecu 70m on poultry.

Put another way, every tonne of pigmeat and poultry cost the taxpayer approximately £10 while to support a tonne of beef cost around £350 and sheepmeat some £600.

Further, since supply has not run ahead of the growth in consumption, there are no surpluses to speak of, while prices to the consumer have remained steady or actually fallen.

The secret of the success of the pigmeat and poultry regime is, of course, that it offers very much less protection to the producer than do those covering commodities like cereals or beef.

As European Community Farm ministers battle to reach agreement on curbing the spiralling costs of their protectionist policies for cereals, milk and a host of other products, BRIDGET BLOOM looks at one "model" sector which will not figure in their discussions at all, because it costs the EC virtually nothing to operate.

EC PRODUCTION 1986 ('000 tonnes)

	Poultrymeat	pigmeat
Belgium	134	703
Denmark	116	1,146
W. Germany	377	3,288
Spain*	815	1,157
France*	1,277	1,571
Greece	145	153
Ireland*	55	136
Italy	1,001	1,053
Netherlands	442	1,736
UK	929	994

* Figures for 1985

There are no open-ended price guarantees, nor any buying up of stocks into government intervention stores. The main protection is offered through variable import levies, fixed to take account of the high costs of feed inside the EC, compared with world feed prices, (Currently, for example, there is a 45 per cent levy on broiler imports.)

Two other types of protection are offered — subsidies are paid on exports and so-called private storage aids, on pigmeat only, are paid to traders for a few months each year. Both are used sparingly, according to officials in Brussels, whose main aim is to maintain balance in the marketplace. For example, only some 120,000 tonnes of pigmeat, out of total production of just under 11m tonnes had been stored when the aids were withdrawn in July. Officials say the stores will be empty by Christmas.

There is one overriding reason why both pigmeat and poultry have such a "light" regime: the very short production cycles mean that open-ended guarantees could rapidly lead to surpluses. (Pigs can reproduce some 20 times a year and chickens 200 to 300 times, while cows and ewes generally produce only one or two offspring a year).

The EC's founding fathers recognied this, as well as the fact that neither occupation is actually "soil-based": backyard production, even in semi-urban areas, is (or was, when the CAP was drawn up) perfectly possible. This also meant that neither pig nor poultry farmers had the political clout of their dairy or cereal grower colleagues to win them a highly protected regime either when the CAP was being conceived, or subsequently. It would be as idle to suggest that producers of pigs or poultry will get increased protection as it would to pretend that the sector can provide an immediate model for the reform of other, much more costly regimes. But under the stimulus of a relatively free market, the sector has become more efficient, particularly in northern Europe, where the industries are increasingly integrated, either through larger companies, as in the UK, or through co-operatives, as in Denmark.

Animal rights plan worries Danish pig producers

BY HILARY BARNES IN COPENHAGEN

A PROPOSED new deal for animals is seen by Danish pig producers as a serious threat to their livelihoods, and to Denmark's biggest single export product.

The farmers are alarmed by the establishment of a committee by the Minister of Justice to consider reforms of the present prevention to cruelty to animals legislation.

"If the politicians introduce restrictions which are not in line with the rest of the EC we can say goodbye to 80 per cent of our pigmeat exports," declared Mr Erik Skovgaard Kristensen, chairman of the National Committee of Pig Producers at a meeting of pig farmers yesterday.

"We must advise farmers against further investments in production until the terms on which production is permitted are clarified," he said.

The directive under which the committee will work refers to "strengthening the position of animals," and meeting their physical and psychological needs.

In relation to pig farming, the directive specifically mentions the introduction of compulsory minimum space requirements and a ban on the tying of sows, early weening and the clipping of tails and teeth.

"Are the Danish people prepared to write off an export worth Dkr 18bn to Dkr 20bn (£1.56bn to £1.74bn). This can be the result, and it is our duty to emphasise how serious the situation is," said Mr Kristensen.

The current economies of pig production are satisfactory, he said, a situation brought about by a decline in the price of foodstuffs especially maize.

LONDON MARKETS

COPPER PRICES rallied on the London Metal Exchange yesterday on early signs that stock markets might be regaining some stability. During the morning there was general covering and options related buying but in the afternoon the resulting gains were trimmed back as sterling rallied against the dollar. Analysts were beginning two talk of strong fundamentals being reasserted although they warned that there appeared to be a band of resistance a little above current levels. Aluminium, which, like copper, has been severely influenced by the stock market crisis, also made gains in the morning. But prices fell away quickly in the afternoon in the face of scattered liquidation, prompted, dealers said, by the upturn in sterling. By the close the morning gains had been virtually wiped out. A similar, though less marked, pattern was seen in the cocoa market, and dealers quoted the same background factors as for the metals. Interest was still suppressed, they said, by the lack of speculative activity as attention remained focused on the equity and money markets.

LME prices supplied by Amalgamated Metal Trading.

ALUMINIUM

99.7% purity	Unofficial close (p.m.) $ per tonne	+ or −	High/Low
Cash	1860-80	+10	—
3 months	1750-65	−7.5	1785/1780

Official closing (am): Cash 1910-30 (1830-50). three months 1780-5 (1756-60). settlement 1930 (1850). *Final Kerb close: 1755-65. Ring turnover: 100 tonnes.*

99.5% purity	£ per tonne		
Cash	1095-100	−0.5	—
3 months	1025-7	−1.5	1047/1023

Official closing (am): Cash 1129-30) (1075-80). three months 1043-5 (1020-5), settlement 1130 (1080). Final Kerb close: 1023-4. Ring turnover: 13,400 tonnes.

COPPER

Grade A	Unofficial close £ per tonne	+ or −	High/Low
Cash	1192-4	+16.5	1210/1194
3 months	1100-01	+15	1115/1099

Official closing (am): Cash 1208-10 (1202-7). three months 1113-5 (1097-9), settlement 1210 (1207). Final Kerb close: 1104-5.

Standard			
Cash	1160-70	+15	—
3 months	1090-100	+20	—

Official closing (am): Cash 1165.75 (1160-5), three months 1100-10 (1090-5), settlement 1175 (1165). US Producer prices 83 5/92 cents per lb. Total ring turnover 34,375 tonnes.

LEAD

	Unofficial close (p.m.) £ per tonne	+ or −	High/Low
Cash	353-4	+2.5	354/353.5
3 Months	344.5-5.5	+2.25	349.346

Official closing (am): Cash 353-4 (353-4). three months 347.5-48) (345-6). settlement 354 (354). Final Kerb close: 354-6. Ring turnover 8,355 tonnes. US Spot: 43 cents per lb.

NICKEL

	Unofficial close (p.m.) £ per tonne	+ or −	High/Low
Cash	3420-40	−25	3420/—
3 months	3390-400	(—)	3395/3380

Official closing (am): Cash 3420-5 (3405-15). three months 3385-7 (3365-8). settlement 3425 (3415). Final Kerb close: 3380-400. Ring turnover 984 tonnes.

ZINC

High grade	Unofficial close (p.m.) £ per tonne	+ or −	High/Low
Cash	464-6	−3.5	—
3 months	460-1	−3	465/460

Official closing (am): Cash 458-8.5 (463-4, three months 462-3 (458-9). settlement 458.5 (464). Final Kerb close: 458-60. Ring turnover: 7,250 tonnes. US Prime Western: 43-43.75 cents per lb.

LONDON METAL EXCHANGE TRADED OPTIONS

	Strike Price $/tonne	Calls Nov.	Calls Jan.	Puts Nov.	Puts Jan.
Aluminium 99.7%	—	—	—	—	—
	—	—	—	—	—
	—	—	—	—	—
Aluminium 99.5%	1,725	156	107	1	85
	1,750	112	95	2	95½
	1,800	69	74	9	123½
Copper (Grade A)	1,850	138	117	10½	168
	1,900	99½	94½	21½	121
	1,950	67½	75½	39½	158
Copper (Grade A) £/tonne	1,075	94	64½	—	31½
	1,100	69½	51½	1	46
	1,125	47	40	3	59½

TIN

KUALA LUMPUR TIN MARKET: Close 17.17 (17.12) ringgit per kg. Up 0.05 ringitt per kg.

GOLD

GOLD BULLION (fine ounce)	Oct. 27	
Close	$475¼-476	(£280¼-281)
Opening	$473¼-474	(£280¼-281)
M'n'g fix	$473.45	(£280.447)
Aft'n'n fix	$474.00	(£279.996)
Day's high	$476-476½	—
Day's low	$471¾-472¼	—

GOLD AND PLATINUM COINS		
Am Eagle	$489-494	(£288¼-291¼)
Mapleleaf	$485-490	(£286-289)
Kr'g'r'nd	$474-477	(£279¼-281¼)
½ Krug	$250-251	(£144¼-150)
¼ Krug	$120-130	(£76-76½)
Angel	$482-487	(£284¼-287¼)
1/10 Angel	$50-55	(£29½-32¼)
New Sov.	$112-113	(£66-66½)
Old Sov.	$112-115⅛	(£66-66¾)
Britannia	$489-494	(£288¼-291¼)
Noble Platt.	$580-590	(£342-347¼)

SILVER

Silver was fixed 10.5c lower for spot delivery on the London bullion market yesterday, at 435.70c. US cent equivalents of the fixing levels were: spot 735c, down 22.4c; three-month 748.35c, down 22.85c; six-month 763.40c, down 22.20c; and 12-month 796.10c, down 23.90c. The metal opened at 438-439½p (739-741c) and closed at 436½-438p (740-742c).

SILVER per troy oz	Bullion Fixing price	+ or −	L.M.E. p.m. Unoff'l c'l	+ or −
Spot	435.70p	−10.55	741c	−3
3 months	445.90p	−10.75	765c	+7
6 months	465.75p	−11.10	—	—
12 months	475.95p	−11.15	—	—

Final kerb close 764-6c.

...LME—Turnover: 0 (0) lots of 10,000 oz.

INDICES

REUTERS

Oct. 26	Oct. 23	M'th ago	Year ago
1669.0	1679.7	—	—

(Base December 31 1931=100)

DOW JONES

Dow Jones	Oct. 26	Oct. 23	M'th ago	Year ago
Spot	126.67	126.63	—	121.64
Fut	127.67	129.53	—	121.37

(Base December 31 1931=100)

MAIN PRICE CHANGES

‡ Unquoted. † Per 75-lb flask. c Cents a pound. * Cotton outlook. w Oct-Nov. y Nov. z Dec. t Nov-Dec. v Jan-Feb.

	Oct. 27 1987	+ or −	Month ago
METALS			
Aluminium			
Free Market	$1980/990	+80	$1980/990
Copper			
Cash Grade A	£1193	+16.5	£1146.5
3 months	£1100.5	+15.0	£1128.5
Gold Troy oz	$475.75	−0.375	£468
Lead Cash	£353.5	+2.5	£372
3 months	£347.25	+2.25	£364.5
Nickel			
Free Mkt	252/262c	−1	248/262c
Palladium oz	$128.60	−6.0	$137.10
Platinum oz	$551.75	−19.50	$587.50
Quicksilver†	$295/305	−5	$305/315
Silver troy oz	435.70p	−10.50	462.05p
3 months	445.90p	−10.75	473.45p
Tin			
free Mkt	£4110/130		£4145/175
Tungsten	$51.16		$53.78
Wolfram 22.04lb	$58/60		$58/60
Zinc	£455	−3.5	£468.50
3 months	£450.5	−3.0	£470.75
producers	$820		$850
OILS			
Coconut (Phil)	$475t	−15	$495
Palm Malayan	$350y		$360
Seeds			
Copra (Phil)	$320		$320
Soyabean (U.S.)	$143.5y		$152
GRAINS			
Barley Fut. Jan.	£105.50	+0.05	£104.20
Maize	£134.00		£140
Wheat Fut. Jan.	£110.50	+0.45	£107.95
No. 2 Hard Wint.	‡		‡
OTHERS			
Cocoa Ft. Mar.	£1181.5	−6.0	£1238.5
Coffee Ft. Jan	£1328.5	−10.0	£1287
Cotton A Ind.*	71.00c	−1.55	83.25c
Gas Oil Dec.	$168.5	+0.5	$157.2
Rubber (kilo)	63p	−0.5	67p
Sugar (raw)	$186.8w	−1.2	$160
Wooltops 64s	515p kilo		485p kilo

COFFEE

Another quiet day for robustas with most activity focused on the nearby differentials reports Drexel Burnham Lambert. The currency factor which dictated levels yesterday was absent today as dollar/pound remained relatively stable. Values in a narrow range were slightly easier as nearby differentials widened. Underlying physical interest provided support at lower levels with robustas closing £10 lower on the day.

COFFEE	Yesterday close	+ or −	Business done
Nov	1294-1295	−13.0	1308-1285
Jan	1328-1329	−10.0	1335-1322
Mar	1346-1350	−12.0	1355-1344
May	1370-1375	−11.0	1377-1378
July	1394-1396	−7.5	1395-1393
Sept	1413-1415	−3.5	1411-1400
Nov	1410-1450	−10.0	—

Sales: 3,624 (1,851) lots of 5 tonnes.

ICO indicator prices (US cents per pound) for October 26 Comp. daily 1979 112.40 (111.92); 15-day average 111.93 (111.62).

COCOA

Attracting only limited interest yesterday's futures were locked in a £6 range and closed at the lows, reports Gill and Duffus.

COCOA	Yesterday's close £ per tonne	+ or −	Business done
Dec	1148-1149	−7.0	1154-1148
March	1181-1182	−6.0	1188-1180
May	1204-1205	−5.0	1209-1205
July	1223-1225	−6.5	1227-1224
Sept	1241-1243	−9.0	1248-1245
Dec	1267-1269	−9.0	1275-1268
March	1290-1291	−7.0	1298-1290

Sales: 2,852 (—) lots of 10 tonnes.

ICCO indicator prices (SDRs per tonne). Daily price for October 26 1470.02 (1480.08); 10-day average for October 27 1467.74 (1469.53).

FREIGHT FUTURES

Early gains caused by technical buying following yesterday's decline were pared during the afternoon. The BFI and the physical market remained static leading to an unchanged futures market from the previous close, reports Clarkson Wolff.

Dry Cargo	Close	High/Low	Prev.
Oct.	1151	1155/1150	1149
Jan.	1260	1170/1145	1257
Apr.	1270	1181/1178	1288
July	1170	1240/1240	1187.5
Oct.	1240	—	1220
Jan.	1240	—	1240
April	1300	—	1300
BFI.	1148	—	1148

Turnover: 1,597 (1,552).

GRAINS

Old crop wheat found panic selling in spot position reaching 65 down in early trading but forward positions never dipped under unchanged levels and the afternoon attracted speculative trade buying. Old crop barley also firmed on keen shipper demand but again eased on consumer selling towards close, reports T. G. Roddick.

Mnth	WHEAT Yest'dy's close	+ or −	BARLEY Yest'dy's close	+ or −
Nov.	107.70	+0.05	104.00	+0.25
Jan.	110.50	+0.45	106.50	+0.05
Mar.	112.50	+0.45	108.65	+0.45
May	114.75	+0.45	110.15	+0.40
July	117.00	+0.55	—	—
Sept.	102.50	—	99.10	—
Nov.	104.25	—	101.60	—

LONDON GRAINS—Wheat: US dark Northern spring No 2 14 per cent, Nov 93.75, Dec 94.50. US No 2 soft red winter, Nov 91.50, Dec 93.00. French 11½-12 per cent. Oct 136.50 sellers. English feed fob Jan/Mar 113.75-114.25, *Apr/Jun 116.50-117.00 buyer/sellers*. Maize: US No 3 yellow/French transhipment East Coast. Oct 134.00 seller. Barley: English feed. Nov 109.00. Dec 109.75 sellers. Jan/Mar 112.50-113.00 buyer/sellers. Rest unquoted.

Business done—Wheat: Nov 107.70-7.00, Jan 110.50-0.05. March 112.60-2.05, May 114.80-4.40, July 117.05-6.55, Sept untraded. Nov untraded. Sales: 200 lots of 100 tonnes. Barley: Nov 104.10-3.55, Jan 106.50-6.25, March 108.75-8.50, May 110.75-09.75, Sept untraded, Nov untraded. Sales 82 lots of 100 tonnes.

HGCA—Locational ex-farm spot prices: Feed Barley: S. East 104.60; S. West 104.20; W. Mids 102.60; N. West 102.00. On November 1, the UK monetary coefficient will be actualised on the basis of exchange rates for calculation period November 14-20.

OIL

CRUDE OIL—FOB ($ per barrel) Dec.	Latest	Change + or −
Arab Light	—	—
Arab Heavy	—	—
Dubai	17.25-17.27	−0.005
Brent Blend	18.85-18.90	+0.025
W.T.I. (1pm edt)	20.00-20.05	+10.0
Forcados (Nigeria)	—	—
Urals (cif NWE)	—	—

PRODUCTS—North West Europe Prompt delivery cif ($ per tonne)		
Premium gasoline	186-188	—
Gas Oil	165-167	−1
Heavy fuel Oil	99-101	−1
Naphtha	161-163	−1

SUGAR

LONDON DAILY PRICE—Raw sugar $186.80 (£111.0), down $1.20 (down $0.60) a tonne for November/December delivery. White sugar $190.00, down $1.50.

$ per tonne	Yesterd's close	Previous close	Business done
No. 6 Raws			
Dec	180.8-183.8	182.0-184.0	—
Mar	168.0-168.2	170.6-170.8	171.2-168.0
May	169.4-169.6	171.8-172.0	172.0-168.6
Aug	170.4-171.0	173.0-173.8	173.4-173.0
Oct	172.6	175.8-174.8	174.8-172.8
Dec	174.0-179.4	176.8-176.8	—
Mar	178.0-184.4	184.8	—
No. 5 Whites			
Dec	191.8-192.8	192.0-193.4	193.8-191.0
Mar	197.5-198.5	199.0-199.4	197.5
May	201.8-202.6	195.0-205.2	204.8-202.0
Aug	206.5-206.5	207.3	208.0-206.8
Oct	207.0-208.8	209.8-209.0	208.0-206.8
Dec	208.8-210.0	209.8-210.0	—
Mar	212.8-215.0	214.0-216.8	—

PARIS—Whites (FFr per tonne): Dec 1131/1133; Mar 1176/1180; May 1201/1210; Aug 1238/1244; Oct 1254/1256; Dec 1255/1266.

Sales: No 6 2831 (2694) lots of 50 tonnes; No 5 1655 (2296).

Tate and Lyle delivery price for granulated basis sugar was £216.50 (£217.50) a tonne for export.

International Sugar Agreement (US cents per pound fob and stowed Caribbean ports). Prices for October 26. Daily price 7.02 (7.05); 15-day average 6.84 (6.59).

US MARKETS

IN LISTLESS TRADING, some markets made modest recoveries as speculative liquidation pressure eased, reports Drexel Burnham Lambert. Gold, on the other hand, continued weak as speculators liquidated short positions, though there were indications of good underlying buying interest by the trade and commission houses. Silver fell in early trading to test the lows, but recovered to the highs on short-covering before trade selling at the highs caused prices to back off. Copper rallied in thin volume in what was described as a reaction to the downside action of the past few days. Crude oil featured spread activity as the trade tended to buy near contracts against forward contracts, activity which firmed the market overall. In common with other markets, cotton rallied back as the stock market firmed, good trade buying held the market after local selling emerged. Commission house selling eased sugar but the decline was held by trade buying. Cocoa was lower on speculative selling despite trade and arbitrage buying. Live cattle futures were lower as a new wave of liquidation hit the market, while pork bellies were marginally easier, and hogs were firm reflecting sentiment that cash prices had declined enough. The grains were mostly better. Soyameal and beans were steady on stronger European prices, the opposite was the case in soyoil. Corn made a modest revovery, but wheat firmed on reports of an allocation of 1m tons of export business to Iraq.

NEW YORK

ALUMINIUM 40,000 lbs; cents/lbs

	Close	Prev	High	Low
Oct	82.50	80.50	—	—
Nov	82.50	80.50	—	—
Dec	81.00	79.00	82.00	81.00
Jan	80.50	78.50	—	—
Feb	—	—	—	—
Mar	78.75	77.50	80.00	80.00
Apr	—	—	—	—
May	72.50	72.50	—	—
Jul	69.00	69.00	—	—
Sep	69.00	69.00	—	—

COCOA 10 tonnes; $/tonnes

	Close	Prev	High	Low
Dec	18.17	18.20	18.25	18.10
March	18.53	18.55	18.62	18.47
May	18.83	18.82	18.87	18.77
July	19.14	19.14	—	—
Sept	19.40	19.40	19.40	19.39
Dec	19.17	19.70	19.77	19.70
March	20.03	20.00	—	—

COFFEE "C" 37,500 lbs; cents/lbs

	Close	Prev	High	Low
Dec	122.18	122.30	122.60	121.60
Mar	126.50	126.50	126.85	126.00
May	128.35	128.45	128.45	127.80
Jul	129.75	129.75	130.00	129.00
Sep	130.75	131.05	131.00	130.30
Dec	131.39	131.25	132.00	132.00
Mar	130.98	130.98	—	—

COPPER 25,000 lbs; cents/lbs

	Close	Prev	High	Low
Oct	81.50	79.85	81.50	81.50
Nov	81.30	78.75	—	—
Dec	80.25	78.95	81.35	79.70
Jan	79.30	78.20	—	—
Mar	77.45	76.65	78.35	77.00
May	76.40	75.75	76.95	76.00
Jul	75.35	74.35	—	—
Sep	75.40	74.65	75.90	75.00
Dec	75.35	74.35	75.00	75.60
Jan	75.35	74.35	—	—
Mar	75.35	74.35	75.00	74.75
May	75.35	74.35	—	—

COTTON 50,000 lbs, cents/lb

	Close	Prev	High	Low
Dec	63.23	63.08	64.20	63.15
March	64.48	64.30	65.35	64.40
May	65.25	65.08	66.05	65.25
July	65.31	65.05	66.00	65.50
Oct	62.25	61.55	—	—
Dec	61.40	60.50	61.60	61.00
March	62.80	62.10	—	—

CRUDE OIL (LIGHT) 42,000 US gallons $/barrels

	Close	Prev	High	Low
Dec	20.06	19.99	20.07	19.85
Jan	19.80	19.88	19.92	19.78
Feb	19.78	19.77	19.79	19.66
Mar	19.66	19.69	19.70	19.55
Apr	19.53	19.61	19.55	19.48
May	19.42	19.53	19.45	19.40
Jun	19.30	19.47	19.42	19.28
Jul	19.20	19.41	19.39	19.20
Aug	19.30	19.35	19.14	19.14
Sep	19.06	19.29	19.06	19.06

GOLD 100 troy oz; $/troy oz

	Close	Prev	High	Low
Oct	475.7	476.2	477.0	472.0
Nov	475.7	476.1	475.5	475.0
Dec	478.8	479.4	481.0	475.1
Feb	484.9	485.4	487.0	481.3
April	491.0	491.5	493.0	487.5
June	497.3	497.7	497.5	493.5
Aug	503.8	504.1	500.0	500.0
Sept	—	460.0	—	—
Oct	510.5	510.7	507.5	507.5
Dec	517.3	517.4	520.0	514.0
Feb	524.4	524.4	524.5	524.5
May	—	—	—	—
June	539.3	539.2	537.0	537.0
Aug	547.1	546.5	549.0	546.5

HEATING OIL 42,000 US gallons; cents/US gallons

	Close	Prev	High	Low
Nov	57.20	56.03	57.25	56.51
Dec	57.20	56.86	57.35	56.65
Jan	57.10	57.00	57.20	56.65
Feb	56.50	56.45	56.65	56.10
March	54.50	54.20	54.50	54.35
April	—	52.30	52.65	52.3
May	—	50.70	51.05	50.50
June	50.70	50.05	50.70	50.70
July	50.40	50.30	50.40	50.40
Aug	—	50.50	—	—

ORANGE JUICE 15,00 lbs: cents/lbs

	Close	Prev	High	Low
Nov	144.45	143.40	145.30	144.00
Jan	143.00	141.75	143.60	142.00
Mar	140.75	141.45	143.60	142.50
May	143.50	142.00	143.70	143.25
Jul	143.75	142.25	143.35	143.25
Sep	—	137.15	—	—
Nov	142.50	140.75	—	—
Jan	140.75	138.35	—	—
Mar	141.00	139.25	—	—

PLATINUM 50 troy oz; $/troy oz

	Close	Prev	High	Low
Oct	551.8	566.8	561.5	550.0
Nov	553.8	—	562.0	552.0
Dec	556.8	570.5	—	—
Jan	557.8	572.3	563.0	553.0
Feb	—	—	—	—
Apr	566.8	581.8	579.0	563.5
July	576.3	591.7	587.5	573.0
Oct	586.3	601.6	597.5	584.0
Jan	596.8	612.6	592.0	592.0

SILVER 5,000 troy oz; cents/troy oz

	Close	Prev	High	Low
Oct	735.5	742.5	741.0	735.5
Nov	736.8	743.1	738.0	736.0
Dec	740.5	748.0	749.0	738.0
Jan	744.9	752.6	745.5	745.5
March	755.3	763.7	764.0	750.0
April	—	—	—	—
May	766.1	773.6	771.0	760.0
July	770.5	784.0	782.0	771.0
Sept	787.1	794.6	790.0	[illegible]
Dec	804.4	811.2	812.0	798.0
Jan	810.2	861.9	—	—
March	823.0	878.0	—	—
May	835.2	888.4	—	—
July	847.9	901.5	—	—

SUGAR WORLD "11" 112,000 lbs: cents/lbs

	Close	Prev	High	Low
Jan	7.65	7.04	—	—
Mar	7.15	7.63	7.05	7.48
May	7.60	7.71	7.72	7.58
Jul	7.64	7.79	7.78	7.62
Oct	7.60	7.52	7.83	7.62
Jan	7.88	8.01	—	—
Mar	8.08	8.08	—	—

CHICAGO

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Prev	High	Low
Dec	63.25	63.70	64.30	63.20
Feb	60.02	61.00	61.55	59.50
April	61.17	61.97	62.50	60.47
June	61.00	61.85	62.70	60.60
Aug	60.67	60.67	61.59	59.77
Oct	58.70	59.35	60.35	58.65
Dec	61.40	61.00	61.95	61.43

LIVE HOGS 30,000 lbs; Cents/lbs

	Close	Prev	High	Low
Dec	43.70	43.37	43.85	42.95
Feb	41.75	41.37	41.80	41.00
April	38.85	38.37	39.00	38.40
June	41.85	41.45	41.97	41.50
July	42.10	41.80	42.32	41.65
Aug	41.10	40.80	41.40	40.90
Oct	38.15	38.12	38.60	38.15
Dec	39.50	39.32	39.60	39.10

MAIZE 5,000 bu min; cents/56 lb-bushel

	Close	Prev	High	Low
Dec	182.6	180.4	182.0	180.2
Mar	187.0	185.4	187.4	186.0
May	192.2	190.6	192.5	191.2
July	184.4	195.0	137.0	135.4
Sep	193.0	191.0	194.0	192.0
Dec	183.4	188.0	190.6	188.0
Mar	196.4	194.2	197.4	196.4

PORK BELLIES 38,000 lbs; cents/lb

	Close	Prev	High	Low
Feb	56.30	56.25	57.22	55.30
March	56.35	55.75	56.70	55.50
May	57.17	56.25	57.60	55.90
July	56.30	55.75	57.70	56.00

SOYABEANS 5,000 bu min; cents/60-lb bushel

	Close	Prev	High	Low
Nov	538.6	537.4	543.4	536.0
Jan	548.0	548.4	552.4	545.0
Mar	552.4	561.4	563.0	550.4
May	557.0	556.4	562.4	554.0
Jul	558.2	559.2	563.4	557.4
Aug	564.4	566.0	563.0	554.4
Sep	543.0	546.0	550.0	543.0
Nov	539.6	544.0	548.0	538.4

SOYABEAN MEAL 100 tons; $/ton

	Close	Prev	High	Low
Dec	181.9	180.4	183.9	181.2
Jan	176.1	175.4	178.2	175.7
Mar	172.2	171.6	174.0	171.6
May	169.2	168.6	171.0	168.5
July	167.0	166.0	168.5	166.5
Aug	166.5	165.5	167.5	165.5
Sept	164.0	163.2	166.0	164.0
Oct	162.5	162.0	162.0	163.0
Dec	164.2	164.0	165.0	163.0

SOYABEAN OIL 60,000 lb; cents/lbs

	Close	Prev	High	Low
Dec	17.43	17.51	17.62	17.42
Jan	17.61	17.83	17.78	17.61
March	17.89	17.96	18.08	17.88
May	18.05	18.08	18.25	18.05
July	18.28	18.25	18.40	18.25
Aug	18.30	18.30	18.50	18.30
Sep	18.33	18.27	18.55	18.33
Oct	18.35	18.27	18.50	18.36
Dec	18.40	18.30	18.50	18.40

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Prev	High	Low
Dec	296.6	297.6	301.4	295.0
March	308.2	308.2	312.0	307.4
May	304.0	303.0	307.0	302.0
July	291.0	290.4	293.0	289.4
Sept	294.0	302.4	—	—
Dec	303.0	302.4	—	—

SPOT PRICES: Chicago loose lard 14.50 (same) cents per pound. Handy and Harman silver bullion 738.50 (743.00) cents per troy ounce. New York tin 320.00/321.00 (318.00/320.00) cents per pound.

POTATOES

Market extremely nervous, opening £1.20 up basis April position, and quickly trading another £1.00 up before any serious selling resistance was felt around £160.00 mark. With values some £10-12, up on early Monday, profit-taking was inevitable. This plus rumours of an improved weather forecast brought values down sharply in the afternoon to close with £1.50 of lows, reports Coley and Harper.

Month	Yesterday's close £ per tonne	Previous close	Business done
Nov.	87.00	89.00	92.00-87.00
Feb.	102.00	100.00	104.00
March	92.00	92.30	93.00
Apr.	156.00	154.80	160.90-154.50
May	168.80	167.00	173.20-159.00
Nov	75.00	75.00	—

Sales: 1,633 (1,147) lots of 40 tonnes.

SOYABEAN MEAL

	Yesterd'ys close £ per tonne	+ or −	Business done
Dec.	153.0-154.0	+2.00	155.4-155.0
Feb.	154.5-155.0	+1.46	154.5
April	154.5-154.5	+1.25	154.5-154.0
June	127.0-128.0	+2.00	127.5
August	124.5-129.8	+1.00	—
October	125.5-126.0	+2.25	—
December	127.0-129.0	+2.00	—

Sales: 211 (—) lots of 20 tonnes.

GAS OIL FUTURES

Month	Yesterd'ys close US$ per tonne	+ or −	Business done
Nov.	167.50	+0.50	167.50-168.85
Dec.	168.50	−0.50	168.50-167.00
Jan	169.25	−0.25	165.25-168.00
Feb.	158.25	−0.25	158.50-157.50

Turnover: 2,888 (3,752) lots of 100 tonnes.

CURRENCIES, MONEY & CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar at 7-year D-Mark low

THE DOLLAR weakened as concern grew about the twin US deficits on trade and the budget.

A widening of the West German trade surplus in September, followed recent figures from Japan, which also showed a larger trade surplus.

The West German and Japanese trade surpluses narrowed in August, without having much impact on the very large US deficit, and it must therefore be feared that the September US trade deficit, to be announced next month, will fail to show any sign of an improvement in the imbalance in world trade.

At the same time the market doubts President Reagan's willingness to make a significant cut in the Federal Budget deficit by increasing taxation.

The dollar fell to a low of DM1.7600, and closed at DM1.7635, compared with DM1.7755 on Monday, the lowest closing level since July 1980.

The US currency also declined to FFr5.9075 from FFr5.9475 and to SFr1.4540 from SFr1.4625, as the strong D-Mark tended to pull members of the European Monetary System and countries within the West German economic block higher.

The dollar also lost ground to the Japanese yen, but remained above this year's low, falling to Y141.60 from Y142.20.

On Bank of England figures the dollar's exchange rate index was unchanged at 99.6.

STERLING—Trading range against the dollar in 1987 is 1.6960 to 1.4710. September average 1.6456. Exchange rate index was unchanged at 74.1, compared with 72.9 six months ago.

Sterling rose to a five-year peak against the dollar. It gained 70 points to close at $1.6955-1.6965, the highest closing level since October 1982.

The pound was generally on the sidelines, supported by the Bank of England's reluctance to allow another cut in UK bank base rates, but also limited by Monday's official intervention on the foreign exchanges.

Sterling eased to DM 2.99 from DM 2.9975; to FFr 10.02 from FFr 10.0450; and to SFr 2.4650 from SFr 2.47, but was unchanged at Y240.25.

DEUTSCHE MARK — Trading range against the dollar in 1987 is 1.9305 to 1.7635. September average 1.8122. Exchange rate index 147.9 against 147.2 six months ago.

The Deutsche Mark was strong against the dollar on news of an increase in West Germany's trade surplus. At the Frankfurt close the dollar was around its lowest level of the day at DM 1.7695, compared with DM 1.7690 on Monday.

The Bundesbak did not intrvene when te dollar was fixed at DM 1.7764 in Frankfurt, compared with DM 1.7692 on Monday.

West Germany's trade surplus rose sharply to DM 11.5bn in September from DM 6.5bn in August. The current account surplus rose to DM 8.5bn from a revised DM 2.4bn. Imports rose 16 per cent on the month to DM 34.29bn, bt exjorts rose 27 per cent.

There was no reaction to the Bundesbank's opposition to a further strong revaluaton of the dollar, expressed in comments by Mr Leonhard Gleske, a Board member.

JAPANESE YEN—Trading range against the dollar in 1987 is 159.45 to 138.35. September average 143.19. Exchange rate index 221.9 against 228.6 sx months ago.

The yen was little changed agans the dollar in Tokyo. Underlying sntiment for the dollar remained weak, on doubts that President Reagan is prepared to take the necessary steps to significantly cut the US budget deficit. Highter share prices in Tokyo also provided support for the yen against the dollar. The US currency closed at Y142.00, compared with Y141.85 on Monday, but below the New York finish of Y142.35.

£ IN NEW YORK

Oct. 27	Latest	Previous Close
£ Spot	1.6560-1.6570	1.6845-1.6855
1 month	0.35-0.33pm	0.33-0.31pm
3 months	0.81-0.77pm	0.65-0.60pm
12 months	2.70-2.60pm	2.00-1.85pm

Forward premiums and discounts apply to the U.S. dollar.

STERLING INDEX

		Oct. 27	Previous
8.30	am	74.0	73.8
9.00	am	74.0	73.9
10.00	am	74.0	73.9
11.00	am	74.0	74.0
Noon		74.0	74.1
1.00	pm	74.0	74.1
2.00	pm	74.1	74.0
3.00	pm	74.1	74.0
4.00	pm	74.1	74.1

CURRENCY RATES

Oct. 27	Bank rate %	Special * Drawing Rights	European Currency Unit
Sterling	—	0.77468	0.692687
U.S. Dollar	6	1.3057	1.16960
Canadian $	8.75	*	1.54119
Austrian Sch.	4	16.3229	14.5966
Belgian Franc	7¾	48.3575	43.2490
Danish Krone	7	8.89529	7.95915
Deutsche Mark	3	2.31195	2.07406
Neth. Guilder	4½	2.61015	2.33406
French Franc	9½	7.7645	6.94510
Italian Lira	12	N/A	1500.02
Japanese Yen	2½	185.48	166.142
Norway Krone	8	N/A	7.70008
Spanish Peseta	—	150.485	134.855
Swedish Krona	7½	8.20194	7.34686
Swiss Franc	3.5	1.91288	1.71113
Greek Drach.	20½	178.734	160.048
Irish Punt	—	N/A	0.775701

* C$ SDR rates for Oct. 26; 1.72206

CURRENCY MOVEMENTS

Oct. 27	Bank of England Index	Morgan Guaranty* Changes %
Sterling	74.1	−19.6
U.S. Dollar	99.6	−7.5
Canadian Dollar	78.0	−10.2
Austrian Schilling	138.9	+10.2
Belgian Franc	100.0	−4.8
Danish Krone	92.1	+1.9
Deutsche Mark	147.9	+22.1
Swiss Franc	175.4	+23.9
Guilder	136.1	+14.8
French Franc	71.8	−13.1
Lira	47.6	−18.0
Yen	221.9	+66.0

OTHER CURRENCIES

Oct. 27	£	$
Argentina	6.8820-6.9695	4.0700-4.1200
Australia	2.4075-2.4105	1.4260-1.4270
Brazil	92.1360-92.6340	54.4990-54.7710
Finland	7.2625-7.2755	4.3010-4.3050
Greece	228.95-232.95	135.70-138.00
Hong Kong	13.1845-13.1975	7.8085-7.8095
Iran	118.20*	70.70*
Korea (Sth)	1348.70-1360.90	800.50-807.10
Kuwait	0.47050-0.47100	0.27905-0.27915
Luxembourg	62.55-62.65	36.85-36.95
Malaysia	4.2485-4.2595	2.5195-2.5210
Mexico	2779.35-2782.00	1644.00-1645.00
N. Zealand	2.7370-2.7470	1.6205-1.6230
Saudi Ar.	6.3280-6.3335	3.7500-3.7510
Singapore	3.5070-3.5145	2.0770-2.0780
S. Af. (Cm)	3.4260-3.4490	2.0315-2.0355
S. Af. (Fn)	5.8260-6.0340	3.4485-3.5715
Taiwan	50.45-50.70	29.95-30.05
U.A.E.	6.1970-6.2030	3.6725-3.6735

*Selling rate.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Oct. 27	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.2490	+1.86	+1.09	±1.5344
Danish Krone	7.85212	7.95915	+1.36	+0.59	±1.6404
German D-Mark	2.05853	2.07406	+0.75	−0.02	±1.0981
French Franc	6.90403	6.94510	+0.59	−0.18	±1.3674
Dutch Guilder	2.31943	2.33406	+0.63	−0.14	±1.5012
Irish Punt	0.768411	0.775701	+0.95	+0.18	±1.6684
Italian Lira	1,483.58	1500.02	+1.11	+0.78	±4.0752

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

POUND SPOT—FORWARD AGAINST THE POUND

Oct. 27	Day's spread	Close	One month	p.a.	Three months	% p.a.
US	1.6835-1.6970	1.6955-1.6965	0.34-0.31c pm	2.30	0.68-0.63pm	1.54
Canada	2.2205-2.2362	2.2350-2.2360	0.33-0.22c pm	1.48	0.56-0.40pm	1.86
Netherlands	3.36¼-3.47½	3.36¼-3.37¼	1⅛-1¼c pm	4.45	3¼-3⅛pm	3.86
Belgium	62.33-62.65	62.55-62.65	15-5c pm	1.92	40-30pm	2.24
Denmark	11.47-11.51½	11.47¼-11.48¼	¼-⅞ore dis	−0.59	2¼-3⅛dis	−1.11
Ireland	1.1176-1.1211	1.1195-1.1205	0.14-0.06c pm	1.07	0.24-0.06pm	0.54
W. Germany	2.98½-2.99¾	2.98½-2.99½	1½-1⅜pf pm	5.77	3⅝-3⅜pm	4.68
Portugal	236.88-238.99	238.00-238.90	35-95c dis	−3.27	210-305dis	−4.32
Spain	194.01-195.60	195.30-195.60	45-100c dis	−4.45	135-215dis	−3.58
Italy	2160½-2170	2162-2163	2-4lire dis	−1.66	12-15dis	−2.50
Norway	11.07¾-11.12¾	11.08¾-11.09¾	3⅝-4⅝ore dis	−4.33	12-12¾dis	−4.46
France	10.01½-10.04	10.01½-10.02½	1⅛-1c pm	1.42	1½-1pm	0.50
Sweden	10.59-10.63½	10.61½-10.62½	⅝-¼ore pm	0.42	⅞-½pm	0.19
Japan	239¼-240¼	239¾-240¾	1⅛-1y pm	5.31	2⅞-2⅝pm	4.58
Austria	21.04-21.17	21.14-21.17	9⅝-8⅛gro pm	4.93	22¼-20¼pm	4.01
Switzerland	2.46-2.47¼	2.46-2.47	1½-1⅜c pm	6.69	3¾-3pm	5.07

Belgian rate is for convertible francs. Financial franc 62.90-63.00. Six-month forward dollar 1.28-1.23c pm. 12-month 2.05-1.95pm.

DOLLAR SPOT—FORWARD AGAINST THE DOLLAR

Oct. 27	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.6835-1.6970	1.6955-1.6965	0.34-0.31c pm	2.30	0.68-0.63pm	1.54
Ireland†	1.5040-1.5120	1.5110-1.5120	0.14-0.09c pm	0.92	0.35-0.25pm	0.80
Canada	1.3160-1.3200	1.3180-1.3190	0.06-0.10c dis	−0.73	0.18-0.23dis	−0.62
Netherlands	1.9815-2.0005	1.9845-1.9855	0.37-0.33c pm	2.10	1.13-1.08pm	2.21
Belgium	36.85-37.05	36.85-36.95	2-1¼c pm	0.53	9-6½pm	0.84
Denmark	6.76¼-6.82	6.76¾-6.77¼	1.15-1.85ore dis	−2.65	3.15-3.85dis	−2.06
W. Germany	1.7600-1.7780	1.7630-1.7640	0.54-0.52pf pm	3.59	1.44-1.39pm	3.19
Portugal	140-141	140-140¼	55-85c dis	−5.96	180-230dis	−5.82
Spain	114.90-115.70	115.10-115.20	50-100c dis	−7.79	130-180dis	−5.37
Italy	1274-1285	1274½-1275½	3.70-4.70lire dis	−3.93	11.70-13.70dis	−3.96
Norway	6.53½-6.59	6.53½-6.54	3.35-3.90ore dis	−6.61	10.00-10.40dis	−6.20
France	5.89¼-5.95	5.90½-5.91	0.35-0.45c dis	−0.81	1.95-1.65dis	−1.01
Sweden	6.25½-6.29	6.26-6.26½	0.95-1.25ore dis	−2.10	2.30-2.70dis	−1.59
Japan	141.40-142.30	141.55-141.65	0.39-0.36y pm	3.16	1.12-1.07pm	3.08
Austria	12.44-12.50¼	12.44-12.44½	2.90-2.50gro pm	2.60	8.75-7.25pm	2.56
Switzerland	1.4490-1.4665	1.4535-1.4545	0.56-0.51c pm	4.38	1.36-1.29pm	3.62

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 37.05-37.15

EURO-CURRENCY INTEREST RATES

Oct. 27	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	9½-9¼	9⅝-9⅜	9½-9⅜	9½-9 13/16	9 13/16-9 11/16	9 13/16-9 11/16
U.S. Dollar	7¼-7⅛	7 3/16-7 1/16	7¼-7⅛	7⅞-7¾	7⅞-7¾	8 3/16-8 1/16
Can. Dollar	7½-7¼	7⅝-7⅜	7 13/16-7¾	8½-8⅜	8 13/16-8 11/16	9¼-9⅛
D. Guilder	5⅛-4⅞	5⅜-5 3/16	5 5/16-5 3/16	5¼-5⅛	5¼-5⅛	5⅜-5¼
Sw. Franc	1⅛-⅞	7⅜-7⅛	3⅝-3⅜	4¼-4⅛	4¼-4⅛	4⅜-4¼
Deutschmark	3⅝-3½	4 1/16-3 15/16	3⅞-3¾	4⅝-4½	4 11/16-4 9/16	4 13/16-4 11/16
Fr. Franc	7 13/16-7 11/16	7⅞-7¾	8 1/16-7 15/16	8 11/16-8 9/16	9 1/16-8 15/16	9⅝-9½
Italian Lire	11-10	10¼-9¾	11⅞-10⅝	12-11½	12¼-11¾	12¼-11¾
B. Fr. (Fin.)	6⅜-6⅛	6⅝-6½	6⅞-6⅝	7⅛-7	7 3/16-7 1/16	7 5/16-7 3/16
B. Fr. (Con.)	6½-6	7-6⅝	7-6⅝	7⅛-6¾	7⅛-6⅞	7¼-7
Yen	3 13/16-3 11/16	4 5/16-4 3/16	4 7/16-4 5/16	4 13/16-4 11/16	4¾-4⅝	4 13/16-4 11/16
D. Krone	9¾-9⅜	9¾-9⅜	10⅜-9⅞	10¼-9¾	10½-10	10⅝-10¼
Asian $Sing	7⅛-7	7¼-7⅛	7 11/16-7 9/16	7 11/16-7 9/16	7 13/16-7 11/16	8 1/16-7 15/16

Long-term Eurodollars: Two years 8⅞-8⅝ per cent; three years 9 3/16-9 1/16 per cent; four years 9½-9¼ per cent; five years 9½-9¼ per cent nominal. Short-term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

Oct. 27	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	1.	1.695	2.990	240.3	10.02	2.465	3.368	2163.	2.236	62.60
$	0.590	1.	1.764	141.6	5.908	1.454	1.985	1275.	1.310	36.90
DM	0.334	0.567	1.	80.35	3.351	0.824	1.126	723.2	0.740	20.94
YEN	4.162	7.059	12.45	1000.	41.71	10.26	14.02	9001.	9.305	260.6
F Fr.	0.998	1.693	2.984	239.8	10.00	2.460	3.361	2150.	2.231	62.40
S Fr.	0.406	0.688	1.213	97.46	4.065	1.	1.366	877.3	0.907	25.40
H Fl.	0.297	0.504	0.888	71.34	2.976	0.732	1.	642.2	0.664	10.59
Lira	0.462	0.784	1.383	111.1	4.634	1.140	1.557	1000.	1.034	20.95
C $	0.447	0.759	1.338	107.5	4.482	1.103	1.506	967.3	1.	20.00
B Fr.	1.597	2.709	4.776	383.8	16.01	3.938	5.379	3454.	3.571	100.

Yen per 1,000: French Fr per 10: Lira per 1,000: Belgian Fr per 100.

FINANCIAL FUTURES

Gilts and bonds lose ground

LONG-TERM gilt futures and US Treasury bond futures were weaker on the London International Financial Futures Exchange yesterday, as equity makets showed a partial recovery.

The FTSE 100 index opened higher, after a better trend in Hong Kong and Japanese equity markets, but finished well below the highest level of the day.

December FTSE 100 index futures rose to 172.00 at the opening, and touched a peak of 175.00, but fell back on continued nervousness about the general situaton in world equity markets, and uncertainty about the BP share issue.

The contract closed at 168.75, compared with 165.00 at Monday's close.

A trader on the Liffe market said that although gilts and US Treasury bonds weakened yesterday the outlook for government debt was strong, because any move made by the US Administration to cut the trade and budget deficits would be recessionary.

US Treasury bond futures opened weaker at 87-10 for December delivery on Liffe, but this was also the day's high, with the contract falling to a low of 86-17, before closing at 87.05, compared with 87-21 previously.

In Chicago interest rate futures opened sharply lower, and the New York cash market in US Treasury bonds also slumped, in a move described by dealers as simply the inverse relation to the stock market. In early New York trading the 8⅞ per cent 30-year bond fell 2 points to 97 11/32, and the yield rose to 9.10 per cent from 8.91 per cent.

On Liffe December Japanese government bond futures opened lower at 102.30.

LIFFE LONG GILT FUTURES OPTIONS

Strike Price	Calls—Last Dec	Calls—Last March	Puts—Last Dec	Puts—Last March
106	13.49	14.02	0.01	0.18
108	11.50	12.13	0.02	0.29
110	9.53	10.30	0.05	0.46
112	7.57	8.54	0.09	1.06
114	6.04	7.23	0.20	1.39
116	4.24	6.00	0.40	2.16
118	2.63	4.52	1.15	3.04
120	1.54	3.50	2.06	4.02

Estimated volume total, Calls 3,847 Puts 2,883
Prev. day's open int: Calls 44,693 Puts 31,459

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike Price	Calls—Last Dec	Calls—Last March	Puts—Last Dec	Puts—Last March
70	17.11	16.22	0.01	0.06
72	15.11	14.28	0.01	0.12
74	13.14	12.37	0.04	0.21
76	11.18	10.52	0.08	0.36
78	9.24	9.09	0.14	0.57
80	7.33	7.38	0.23	1.22
82	5.44	6.13	0.34	1.61
984	4.10	4.63	1.00	2.47

Estimated volume total, Calls 191 Puts 294
Previous day's open int: Calls 2,917 Puts 1,811

LIFFE FT-SE 100 INDEX FUTURES OPTIONS

Strike Price	Calls—Last Oct.	Calls—Last Nov.	Puts—Last Oct.	Puts—Last Nov.
17000	8.64	12.80	9.89	14.05
17250	7.56	11.72	11.31	15.47
17500	6.59	10.72	12.84	16.96
17750	5.72	9.77	14.47	18.52
18000	4.93	8.90	16.18	20.15
18250	4.24	8.09	17.99	21.84
18500	3.63	7.35	19.88	23.60
18750	3.09	6.66	21.84	25.41

Estimated volume total, Calls 0 Puts 0
Previous day's open int: Calls 66 Puts 168

LIFFE £/$ OPTIONS
£25,000 (cents per £1)

Strike Price	Calls—Last Nov.	Dec.	Jan.	Mar.	Puts—Last Nov.	Dec.	Jan.	Mar.
1.50	19.40	19.40	—	19.40	0.00	0.00	—	0.20
1.55	14.40	14.40	14.40	14.40	0.00	0.05	0.26	0.61
1.60	9.40	9.40	9.51	9.79	0.03	0.33	0.86	1.48
1.65	4.61	5.13	5.84	6.38	0.43	1.29	2.19	3.07
1.70	1.45	2.30	3.50	3.80	2.27	3.46	4.50	5.49
1.75	0.24	0.79	1.47	2.06	6.06	6.95	7.82	8.75
1.80	0.02	0.20	0.59	1.02	10.84	11.36	11.94	12.71

Estimated volume total, Calls 0 Puts 10
Previous day's open int. Calls 473 Puts 1,348

LONDON SE £/$ OPTIONS
£12,500 (cents per £1)

Strike Price	Calls—Last Nov.	Dec.	Jan.	Mar.	Puts—Last Nov.	Dec.	Jan.	Mar.
1.45	—	12.90	—	—	—	2.70	—	—
1.50	18.90	18.90	—	18.90	0.30	0.30	—	0.35
1.55	13.90	13.90	—	13.90	0.30	0.35	—	0.70
1.60	8.70	8.90	9.00	9.35	0.30	0.50	0.85	1.50
1.65	4.00	4.50	5.15	5.75	0.60	1.30	2.05	2.95
1.70	1.45	1.90	2.55	3.30	2.55	3.50	4.35	5.35
1.75	—	1.20	—	1.80	—	16.50	—	17.50

Previous day's open int: Calls 877 Puts 127
Estimated Volume: 59

PHILADELPHIA SE £/$ OPTIONS
£12,500 (cents per £1)

Strike Price	Calls Nov.	Dec.	Jan.	Mar.	Puts Nov.	Dec.	Jan.	Mar.
1.575	11.05	11.05	11.05	11.30	—	0.10	0.25	0.90
1.600	8.55	8.60	8.80	9.20	0.05	0.25	0.60	1.40
1.625	6.20	—	6.85	7.40	—	—	1.10	—
1.650	3.95	4.45	5.05	5.75	0.50	1.10	1.80	2.75
1.675	2.10	2.70	3.60	4.35	1.00	11.85	2.70	3.80
1.700	1.15	1.85	2.35	3.35	2.20	3.00	4.05	5.15
1.725	0.40	0.95	1.75	2.30	3.95	4.85	5.65	6.70

Previous day's open int: Calls 97,467 Puts 76,410
Previous day's volume: Calls 5,991 Puts 2,065

LIFFE-EURODOLLAR OPTIONS
$1m points of 100%

Strike Price	Calls—Last Dec.	Mar.	Jun.	Sept.	Puts—Last Dec.	Mar.	Jun.	Sept.
89.75	2.60	2.52	2.13	1.94	0.02	0.16	0.29	0.50
90.00	2.35	2.31	1.93	1.76	0.02	0.20	0.34	0.57
90.25	2.11	2.09	1.73	1.58	0.03	0.23	0.39	0.64
90.50	1.88	1.89	1.55	1.41	0.05	0.28	0.46	0.72
90.75	1.65	1.69	1.37	1.25	0.07	0.33	0.53	0.81
91.00	1.43	1.50	1.20	1.10	0.10	0.39	0.61	0.91
91.25	1.21	1.32	1.04	0.96	0.13	0.46	0.70	1.02

Previous day's open int: Calls 2,754 Puts 2,750
Estimated Vol: Calls 20 Puts 10

LONDON

20-YEAR 12% NOTIONAL GILT
£50,000 32nds of 100%

	Close	High	Low	Prev.
Dec.	119-24	119-31	118-11	120-13
March	119-24	119-02	119-02	120-13

Estimated volume 38,885 (50,082)
Previous day's open int. 29,828 (29,952)

6% NOTIONAL LONG TERM JAPANESE GOVT BOND Y100m 100ths of 100%

	Close	High	Low	Prev.
Dec.	102.30	102.40	102.10	102.70
March	101.80	—	—	102.20

Estimated Volume 597 (709)
Previous day's open int. 612 (638)

THREE-MONTH STERLING
£500,000 points of 100%

	Close	High	Low	Prev.
Dec.	90.94	91.00	90.78	91.12
March	90.88	90.96	90.78	91.12
June	90.80	90.90	90.74	91.11
Sept.	90.77	90.75	90.75	91.08
90.76	90.76	90.73	90.73	91.07

Estimated Volume 9,010 (11,378)
Previous day's open int. 16,878 (16,265)

FT-SE 100 INDEX
£25 per full index point

	Close	High	Low	Prev.
Dec.	168.75	175.00	162.00	165.00
Mar.	172.25	—	—	169.50

Estimated volume 3,620 (5,066)
Previous day's open int. 9,450 (9,417)

THREE-MONTH EURODOLLAR
$1m points of 100%

	Close	High	Low	Prev.
Dec.	92.33	92.40	92.18	92.55
March	92.11	92.21	92.00	92.33
June	91.59	91.65	91.49	91.76
Sept.	91.19	91.21	91.13	91.30
Dec.	90.92	90.88	90.88	91.07
Mar.	90.75	—	—	90.90
June	90.61	—	—	90.76

Estimated volume 9,441 (10,623)
Previous day's open int. 37,292 (37,600)

U.S. TREASURY BONDS 8%
$100,000 32nds of 100%

	Close	High	Low	Prev.
Dec.	87-05	87-10	86-17	87-21
Mar.	86-08	—	—	86-24

Estimated Volume 13,387 (12,529)
Previous day's open int. 15,763 (16,334)

CHICAGO

U.S. TREASURY BONDS (CBT) 8%
$100,000 32nds of 100%

	Latest	High	Low	Prev.
Dec.	87-04	88-18	88-17	88-06
Mar.	86-06	87-20	87-18	87-08
June	85-13	86-25	86-26	86-14
Sept.	84-23	84-23	84-03	85-22
Dec.	84-02	85-00	83-19	85-00
Mar.	—	—	—	84-12
June	—	—	—	83-26
Sept.	—	—	—	83-10
Dec.	—	—	—	83-27
Mar.	—	—	—	82-13
June	—	—	—	80-00

U.S. TREASURY BILLS (IMM)
$1m points of 100%

	Latest	High	Low	Prev.
Dec.	94.05	94.08	93.91	94.28
Mar.	93.47	93.50	93.30	93.61
Jun.	—	92.97	92.85	93.08
Sept.	—	—	92.44	92.67
Dec.	—	92.24	92.15	92.36
Mar.	—	—	92.03	92.13

SWISS FRANC (IMM)
SFr 125,000 $ per SFr

	Latest	High	Low	Prev.
Dec.	0.689	0.6891	0.6862	0.6870
Mar.	—	0.6945	0.6915	0.6925
Jun.	—	0.7000	0.6978	0.6985
Sept.	—	—	—	0.7050

JAPANESE YEN (IMM)
Y12.5m $ per Y100

	Latest	High	Low	Prev.
Dec.	0.7077	0.7080	0.7054	0.7059
Mar.	—	0.7125	0.7108	0.7112
June	—	—	—	0.7167
Sept.	—	—	—	0.7225
Dec.	—	—	—	0.7285

DEUTSCHE MARK (IMM)
DM125,000 $ per DM

	Latest	High	Low	Prev.
Dec.	0.5677	0.5681	0.5661	0.5645
Mar.	0.5718	0.5718	0.5697	0.5691
June	—	0.5740	—	0.5735
Sep.	—	—	—	0.5781
Dec.	—	—	—	0.5831

THREE-MONTH EURODOLLAR (IMM)
$1m points of 100%

	Latest	High	Low	Prev.
Dec.	92.35	92.38	92.21	92.54
Mar.	92.13	92.14	91.98	92.30
June	91.61	91.62	91.47	91.75
Sept.	91.22	91.22	91.08	91.32
Dec.	90.94	90.94	90.90	90.99
Mar.	—	90.70	90.57	90.74
June	—	90.50	90.36	90.53
Sept.	90.36	90.36	90.23	90.36

STANDARD & POORS 500 INDEX
$500 times index

	Latest	High	Low	Prev.
Sept.	229.00	242.00	227.00	220.25
Dec.	230.00	244.00	230.00	220.25
Mar.	234.00	242.00	234.00	224.10
Jun.	238.50	245.00	—	228.00

CURRENCY FUTURES

POUND—$ (FOREIGN EXCHANGE)

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.6960	1.6928	1.6895	1.6835	1.6760

IMM—STERLING $s per £

	Latest	High	Low	Prev
Dec.	1.6880	1.6885	1.6830	1.6825
Mar.	—	1.6830	1.6760	1.6765
June	—	1.6740	1.6680	1.6685

LIFFE—STERLING £25,000 $ per £

	Close	High	Low	Prev
Dec.	1.6884	1.6891	1.6800	1.6865
Mar.	1.6831	—	—	1.6805
June	1.6785	—	—	1.6745

Estimated volume 26 (27)
Previous day's open int 297 (300)

MONEY MARKETS

Fed acts again to calm trading

INTEREST RATES had a slightly firmer tone on the London money market yesterday, while once again the Federal Reserve in New York sought to calm nervousness in financial markets with an early injection of liquidity into the banking system.

UK clearing bank base lending rate 9½ per cent from October 26

Rates rose in London as stock markets showed signs of recovery, and after the Bank of England's signal on Monday that another cut in UK bank base rates was not welcome. The situation was confused however by the BP share issue, and the implications for equities and the gilt market.

Three-month interbank rose to 9 7/16-9⅜ per cent from 9⅜-9¼ per cent.

The Bank of England initially forecast a money market shortage of £500m, but revised this to $450m in the afternoon. Total help of £420m was provided.

Before lunch the authorities bought £64m bank bills in band 1 at 9⅜ per cent.

In the afternoon the Bank of England purchased another £356m bills, by way of £347m bank bills in band 1 at 9⅜ per cent and £9m bank bills in band 2 at 9⅜ per cent.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £603m, with Exchequer transactions absorbing £25m. These outweighted a fall in the note circulation adding £40m to liquidity, and bank balances above target of £70m.

In New York the Federal Reserve provided liquidity for the banking system about one and a half hours earlier than usual, via overnight system repurchase agreements, when Federal funds were trading at 7 3/16 per cent, compared with an average of 7.24 per cent on Monday.

In Frankfurt the West German Bundesbank added liquidity to the domestic money market at a rate of 3.90 per cent, through Government disbursements via state owned banks. At the time call money had firmed to 3.90 per cent.

Credit conditions have tightened as commercial banks bid for funds to meet monthly reserve requirements at the Bundesbank. Banks' holdings at the central bank rose to DM 42.9bn on Friday from DM 42.6bn on Thursday, to average DM 53.3bn over the first 25 days of the month.

The minimum average requirement for October is DM 1.8bn. Credit conditions are expected to improve towards the end of the week.

FT LONDON INTERBANK FIXING

(11.00 a.m. Oct. 27) 3 months U.S. dollars		6 months U.S. dollars	
bid 7⅛	offer 7⅜	bid 7⅛	offer 7⅜

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime).

Prime rate	9
Broker loan rate	8-8¼
Fed. funds	7 3/16-⅛
Fed funds at intervention	7⅛

Treasury Bills and Bonds

One month	4.43	Three year	7.99
Two month	4.99	Four year	8.31
Three month	5.36	Five year	8.43
Six month	6.30	Seven year	8.73
One year	6.79	10 year	8.91
Two year	7.69	30 year	9.07

October 27	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	3.85-3.95	3.80-3.95	3.85-4.00	4.55-4.70	4.65-4.80	5.0
Paris	7⅝-7¾	7 13/16-7 15/16	8-8⅛	8¼-8⅜	8⅝-8¾	7½
Zurich	⅝-1⅛	3-3¼	—	3⅞-4⅛	—	—
Amsterdam	5¼-5 7/16	5¼-5 7/16	—	5½-5⅝	—	—
Tokyo	3.40625	3.84375	—	3.96875	—	—
Milan	10⅝-10⅞	10⅞-11⅛	—	11⅝-12⅛	—	—
Brussels	3.25	6¼-6⅝	—	7-7⅛	—	—
Dublin	7⅞-8⅛	8⅝-8⅞	8⅞-9⅛	9-9¼	9½-9¾	—

LONDON MONEY RATES

October 27	Over-night	7 days notice	Month	Three Months	Six Months	One Year
Interbank	9⅝-5	9⅝-9 7/16	9½-9⅜	9½-9⅜	9½-9⅜	9 11/16-9 9/16
Sterling CDs	—	—	9 7/16-9 5/16	9⅜-9⅛	9¼-9⅛	9¼-9⅛
Local Authority Deps.	9¼	9⅜	9⅜	9⅜	9⅜	9¼
Local Authority Bonds	—	—	10⅛	10⅛	10 3/16	10⅝
Discount Mkt Deps.	9¼-6	9½	9	8¾	—	—
Company Deposits	—	9¼-9	9⅜	9⅜-9½	9½	9½
Finance House Deposits	—	—	9 7/16	9 7/16	9 7/16	9⅝
Treasury Bills (Buy)	—	—	9 7/16	9¼	—	—
Bank Bills (Buy)	—	—	9¼	9 1/16	8 13/16	—
Fine Trade Bills (Buy)	—	—	9⅞	9 13/16	9 13/16	—
Dollar CDs	—	—	7.20-7.15	7.75-7.70	7.85-7.80	8.15-8.10
SDR Linked Deposits	—	—	6 7/16-6 5/16	6 13/16-6 11/16	6 13/16-6 11/16	7 1/16-6 15/16
ECU Linked Deposits	—	—	6⅞-6¾	7¼-7⅛	7 13/16-7 11/16	8 1/16-7 15/16

Treasury Bills (sell); one-month 9 3/16 per cent; three-months 9 per cent; Bank Bills (sell); one-month 9 3/16 per cent; three months 8 15/16 per cent; Treasury Bills; Average tender rate of discount 9.7858 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day September 30, 1987. Agreed rates for period October 26 to November 24 1987, Scheme I: 11.42 p.c., Schemes II & III: 11.47 p.c. Reference rate for period August 29 to September 30, 1987, Scheme IV: 10.219p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 10½ per cent from October 1, 1987: Bank Deposit Rates for sums at seven days' notice 3-3½ per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 8 per cent; one-three months —; three-six months —; six-nine months —; nine-12 months —; Under £100,000 — from October 26, Deposits withdrawn for cash —.

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Personal	9.50	32.00
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WORLD MARKETS

FT-ACTUARIES WORLD INDICES

Jointly compiled by the Financial Times, Goldman, Sachs & Co., and Wood Mackenzie & Co. Ltd., in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	MONDAY OCTOBER 26 1987					FRIDAY OCTOBER 23 1987			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1987 High	1987 Low	Year ago (approx)
Australia (90)	111.51	−6.8	97.89	104.06	3.82	119.59	105.72	111.00	180.81	99.92	89.24
Austria (16)	96.16	−0.1	84.41	90.22	2.31	96.24	85.08	90.22	102.87	85.53	93.65
Belgium (48)	108.43	−2.8	95.18	99.34	4.70	111.59	98.65	104.02	134.89	96.19	88.89
Canada (129)	98.39	−7.6	86.36	93.72	3.21	106.46	94.12	101.30	141.78	98.39	97.64
Denmark (38)	110.10	−0.4	96.65	102.05	2.87	110.59	97.77	103.60	124.83	98.18	96.85
France (122)	84.57	−7.1	74.23	78.90	3.49	90.99	80.44	85.28	121.82	84.57	92.53
West Germany (93)	82.52	−5.3	72.44	76.17	2.48	87.14	77.03	80.93	104.93	82.52	91.32
Hong Kong (46)	89.59	−32.7	78.64	89.83	5.40	133.19	117.75	133.64	158.68	89.59	91.93
Ireland (14)	124.94	+1.5	109.67	116.78	3.80	123.12	108.85	116.78	160.22	99.50	80.61
Italy (95)	81.33	−4.5	71.39	77.93	2.44	85.14	75.27	81.96	112.11	81.33	101.87
Japan (458)	126.77	−3.8	111.27	113.94	0.60	131.71	116.44	118.77	161.28	100.00	84.46
Malaysia (36)	117.20	−6.1	102.88	113.57	3.20	124.77	110.31	121.33	193.64	98.24	102.69
Mexico (14)	284.61	−2.8	249.82	506.75	0.59	292.74	258.80	520.91	422.59	99.72	84.17
Netherland (37)	95.65	−7.0	83.96	87.20	5.12	102.81	90.89	94.31	131.41	95.65	91.86
New Zealand (23)	104.31	−0.3	91.56	85.51	3.51	104.67	92.53	85.51	138.99	83.93	83.04
Norway (24)	131.48	−5.6	115.41	117.11	2.31	139.21	123.07	124.95	185.01	100.00	102.15
Singapore (27)	101.26	−7.0	88.88	96.92	2.54	108.82	96.21	104.57	174.28	99.29	105.20
South Africa (61)	140.15	−6.5	123.02	105.65	3.97	149.91	132.53	113.01	198.09	100.00	87.18
Spain (43)	138.30	−4.9	121.40	120.49	3.34	145.40	128.54	127.50	168.81	100.00	90.42
Sweden (34)	109.53	−5.6	96.15	101.95	2.24	116.06	102.61	108.37	136.64	90.85	98.54
Switzerland (53)	80.96	−9.1	71.06	73.40	2.24	89.09	78.76	81.60	111.11	80.96	90.57
United Kingdom (335)	116.68	−6.2	102.42	102.42	4.40	124.43	110.01	110.01	162.87	99.65	90.10
USA (583)	92.91	−8.3	81.56	92.91	3.99	101.29	89.55	101.29	137.42	92.83	99.50
Europe (952)	99.80	−5.9	87.60	90.05	3.68	106.10	93.80	96.40	130.02	99.78	92.10
Pacific Basin (680)	124.91	−4.6	109.65	112.73	0.82	130.95	115.77	118.51	158.77	100.00	84.92
Euro-Pacific (1632)	114.91	−5.1	100.87	103.69	1.82	121.06	107.02	109.70	143.65	100.00	87.76
North America (712)	93.20	−8.2	81.81	92.98	3.95	101.57	89.79	101.33	137.55	93.20	99.40
Europe Ex. UK (617)	89.33	−5.7	78.42	82.50	3.09	94.73	83.75	88.07	111.97	89.33	94.47
Pacific Ex. Japan (222)	102.62	−15.9	90.08	97.20	4.18	121.95	107.82	115.21	164.03	99.92	89.76
World Ex. US (1836)	114.70	−5.2	100.68	103.61	1.89	120.96	106.93	109.70	143.38	100.00	88.11
World Ex. UK (2084)	105.24	−6.2	92.38	99.62	2.40	112.25	99.24	106.49	138.82	100.00	92.79
World Ex. So. Af. (2358)	106.03	−6.2	93.08	99.78	2.59	113.09	99.98	106.71	139.47	100.00	92.58
World Ex. Japan (1961)	96.44	−7.7	84.65	92.69	3.86	104.53	92.41	100.70	134.22	96.44	96.43
The World Index (2419)	106.25	−6.2	93.27	99.86	2.60	113.33	100.19	106.79	139.73	100.00	92.54

Base values: Dec 31, 1986 = 100
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New York market closed at 14:00 hrs local time October 23 and 26.

Austrian, Irish, and New Zealand markets closed for public holidays October 26.
Latest prices were unavailable for this edition.

EUROPEAN OPTIONS EXCHANGE

Series		Nov 87 Vol.	Nov 87 Last	Feb 88 Vol.	Feb 88 Last	May 88 Vol.	May 88 Last	Stock
GOLD C	$440	450	34.50	—	—	—	—	$474
GOLD C	$460	387	18	6	36.50	—	—	"
GOLD C	$480	134	9.50	66	25	—	—	"
GOLD C	$500	40	4.50B	38	18.40	1	28.10	"
GOLD P	$420	32	0.50	1	3.50	—	—	"
GOLD P	$440	85	2.10	355	7.50	—	—	"
		Dec. 87		Mar. 88		June 88		
SILVER C	$750	—	—	10	100	—	—	$738
SILVER C	$850	8	23A	—	—	—	—	"
SILVER C	$1000	5	2	—	—	—	—	"
SILVER P	$850	5	115	—	—	—	—	"
		Nov. 87		Dec. 87		Jan. 88		
$/Fl C	Fl.200	4	2.40A	158	3.20	12	4	Fl.199.43
$/Fl C	Fl.205	133	0.90	179	1.30	7	2.30	"
$/Fl C	Fl.210	2	0.30	6	0.80A	—	—	"
$/Fl P	Fl.190	2	0.70	13	1.20	12	1.50	"
$/Fl P	Fl.195	31	1.40	93	2	21	3	"
$/Fl P	Fl.205	7	5.90	5	7.50B	—	—	"
$/Fl P	Fl.210	5	10.50	54	11.50	—	—	"
		Mar. 88		June 88		Sept. 88		
$/Fl C	Fl.190	73	9.80	—	—	—	—	Fl.199.43
$/Fl C	Fl.200	4	5	23	5.60	—	—	"
$/Fl C	Fl.210	3	1.60A	5	2.40	—	—	"
$/Fl P	Fl.190	4	2.70	1	4.20	—	—	"
$/Fl P	Fl.195	3	4.60	10	6.50	—	—	"
$/Fl P	Fl.200	4	6.50	—	—	—	—	"
		Jan. 88		Apr. 88		Jul. 88		
ABN C	Fl.40	468	3	187	4.20	17	5.20	Fl.37.90
ABN P	Fl.48	423	11.50	352	11.30	—	—	"
AEGON C	Fl.70	191	2.80	3	4.30	—	—	Fl.62
AGEON P	Fl.90	29	30	6	29.50	—	—	"
AHOLD C	Fl.70	123	6.80	16	9	10	10	Fl.66
AKZO C	Fl.140	927	7	79	10.50	3	13	Fl.125.50
AKZO P	Fl.120	451	6.40	84	9.50	—	—	"
AMEV C	Fl.45	124	4.70	—	—	—	—	Fl.46.30
AMRO C	Fl.80	118	0.80	12	1.80	—	—	Fl.62.80
AMRO P	Fl.85	138	24.50A	2	25	2	25.50A	"
ELSEVIER C	Fl.55	246	1.60	—	—	—	—	Fl.43.50
ELSEVIER P	Fl.45	82	5.50	3	6	4	7.50	"
GIST-BROC. C	Fl.50	268	0.50	21	1.80	—	—	Fl.36.20
GIST-BROC. P	Fl.35	174	2.90B	1	3.80A	30	5	"
HEINEKEN C	Fl.170	—	—	141	4.80	—	—	Fl.133
HOOGOVENS C	Fl.40	129	2.30	67	3.70	—	—	Fl.34.50
KLM C	Fl.40	497	3.50	43	5.20	5	6.80	Fl.38
KLM P	Fl.40	59	5.10	262	6.40A	6	6.50	"
NEDLLOYD C	Fl.130	269	7.20	53	8	—	—	Fl.134.50
NAT NED C	Fl.55	150	4.30B	692	5.30	—	—	Fl.52.80
NAT NED P	Fl.70	179	18.50	211	18	302	19	"
PHILIPS C	Fl.45	471	2.10B	567	3.30	116	3.50	Fl.38
PHILIPS P	Fl.35	746	3	86	3.80	51	4.20	"
ROYAL DUTCH C	Fl.240	536	6.80	179	10.80	—	—	Fl.214.50
ROYAL DUTCH P	Fl.210	436	11.90	13	15	106	18	"
UNILEVER C	Fl.120	392	7.40	65	12	68	15	Fl.108.50

TOTAL VOLUME IN CONTRACTS: 45,202

A=Ask B=Bid C=Call P=Put

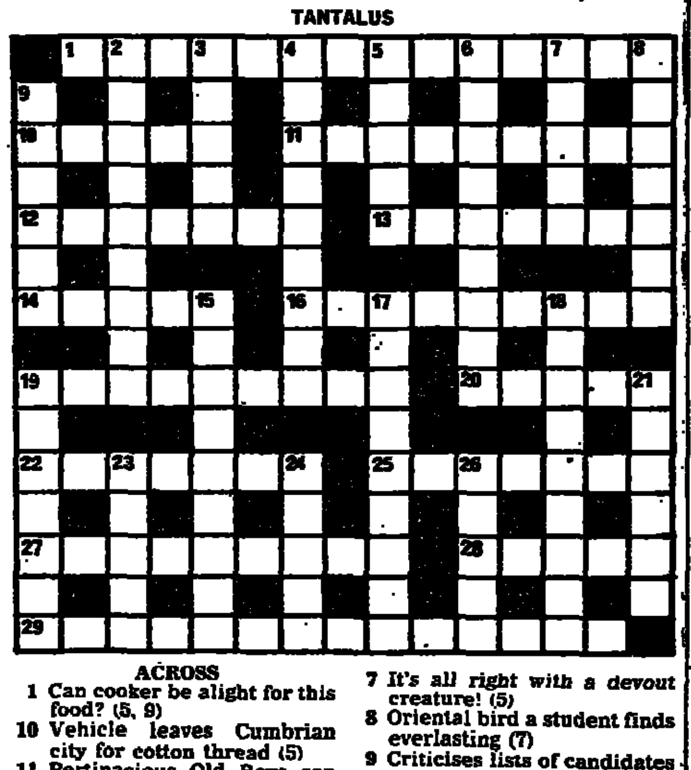
BASE LENDING RATES

	%		%		%
ABN Bank	9½	● Charterhouse Bank	10	Nat Bk. of Kuwait	9½
Adam & Company	10	Citibank NA	9½	NatWestminster	9½
Allied Arab Bk Ltd	10	City Merchants Bank	9½	Northern Bank Ltd	9½
Allied Dunbar & Co	9½	Clydesdale Bank	9½	Norwich Gen. Trust	9½
Allied Irish Bank	9½	Comm. Bk. N. East	9½	PK Finans. Intl (UK)	10
American Exp. Bk	9½	Consolidated Cred	9½	Provincial Trust Ltd	11
Amro Bank	9½	Co-operative Bank	* 9½	R. Raphael & Sons	9½
Henry Ansbacher	10	Cyprus Popular Bk	9½	Roxburghe G'rantee	10½
ANZ Banking Group	9½	Duncan Lawrie	9½	Royal Bk of Scotland	9½
Associates Cap Corp	10	Equat'r'l TstC'p plc	10	Royal Trust Bank	9½
Authority & Co Ltd	9½	Exeter Trust Ltd	10	Smith Williamson Secs	9½
Banco de Bilbao	9½	Financial & Gen. Sec	9½	Standard Chartered	9½
Bank Hapoalim	9½	First Nat. Fin. Corp	11	TSB	9½
Bank Leumi (UK)	9½	First Nat. Sec. Ltd	11	UDT Mortgage Exp	¶11.1
Bank Credit & Comm	9½	● Robert Fleming & Co	9½	United Bk of Kuwait	9½
Bank of Cyprus	10	Robert Fraser & Ptrs	10½	United Mizrahi Bank	9½
Bank of Ireland	9½	Girobank	9½	Unity Trust PLC	9½
Bank of India	9½	Grindlays Bank	9½	Western Trust	10
Bank of Scotland	9½	● Guinness Mahon	9½	Westpac Bank. Corp	9½
Banque Belge Ltd	9½	HFC Trust & Savings	9½	Whiteaway Laidlaw	10
Barclays Bank	9½	● Hambro Bank	9½	Yorkshire Bank	9½
Benchmark Tst Ltd	10	Heritable & Gen. Tst	9½		
Beneficial Trust Ltd	11	● Hill Samuel	§ 9½		
Berliner Bank AG	9½	C. Hoare & Co	9½		
Brit Bk of Mid East	9½	Hongkong & Shangh	9½		
● Brown Shipley	10	Lloyds Bank	9½		
Business Mtge Tst	10	Meghraj & Sons Ltd	9½		
CL Bank Nederland	10	Midland Bank	9½		
Canada Permanent	10	● Morgan Grenfell	9½		
Cayzer Ltd	9½	Mt Credit Cpn Ltd	10		

● Members of the Accepting Houses Committee. * 7-day deposits 5%. Savewise 7.66%. Top Tier—£2,500+ at 3 months' notice 9.31%. At call when £10,000+ remains deposited. ¶ Mortgage base rate. § Demand deposit 4.49%. Mortgage 11.125%.

FT CROSSWORD PUZZLE No. 6,467

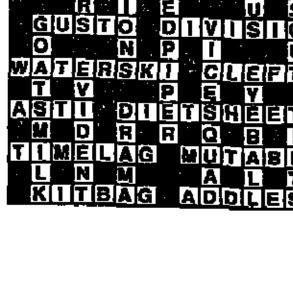
TANTALUS



ACROSS
1 Can cooker be alight for this food? (5, 9)
10 Vehicle leaves Cumbrian city for cotton thread (5)
11 Pertinacious Old Boys can brew tea (9)
12 He shall find the stubborn—bursting (Tennyson) (7)
13 Periodical summer in Paris a sin perhaps (7)
14 In Nassau, natives have a bath (5)
16 Maybe a nice gal with money in cherubic (9)
19 Claimant before nurse then Queen (9)
20 Daughter gets Underground back to make first appearance (5)
22 Outdated name right for this auxiliary machine (7)
25 Pardon graduate returning to find the answer (7)
27 Loose blouse for Italian patriot (9)
28 Encourages wild beast (5)
29 Uncontrollably mental—do I treat the ragged fellow? (14)

DOWN
2 Girl and I arranging duet display weariness (9)
3 Last five of 15 surprisingly complain (5)
4 Quoted earlier with a warning cry on broken dais (9)
5 Gallery accepts first sculptor showing discretion (5)
6 Cheated—used a hand tool (9)
7 It's all right with a devout creature! (5)
8 Oriental bird a student finds everlasting (7)
9 Criticises lists of candidates (6)
15 A clergyman goes up to plateau that's avoidable (9)
17 Composer and I sound hesitant with element (9)
18 Mistakenly call a Boer a Spanish gentleman (9)
19 Promise head of theatre a wad of lint (7)
21 Set him on a new course with belief in a God (6)
23 Deserter supports accountant with a little weight (5)
24 Annoyed leaders of Russia in Leningrad—easily done! (5)
26 Way everybody finds seat (5)

Solution to puzzle No. 6,466



FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

FT UNIT TRUST INFORMATION SERVICE

Mercury Fund Managers—Contd.

Gilt	93.4	93.8	+1.5	8.01
(Accum Units)	111.2	111.4	+1.9	8.01
Global Fund	39.9	42.2	--	0.53
(Accum Units)	39.9	42.2	--	0.53
High Income Fund	42.6	45.0	-0.6	3.74
(Accum Units)	43.8	46.3	-0.5	3.74
High Interest Fund	44.3	46.8	-0.1	3.56
(Accum Units)	45.7	48.3	-0.1	3.56
Income	97.3	102.9	+0.1	2.22
(Accum Units)	112.4	118.9	+0.1	2.22
International	237.7	251.5	----	1.53
(Accum Units)	298.0	315.3	----	1.53
Japan	171.2	181.1	+2.2	0.43
(Accum Units)	175.8	186.0	+2.3	0.43
Pacific Fund	35.6	37.4	----	0.07
(Accum Units)	35.6	37.6	----	0.07
Recovery	241.5	255.5	-4.1	1.84
(Accum Units)	264.6	280.0	-4.7	1.84
UK Smaller Co's Fund	45.3	47.9	-0.3	1.39
(Accum Units)	45.8	48.4	-0.3	1.39

Merlin Fund Mngmnt Ltd
30 St James St, London SW1A 1HB 01-925 1277

Merlin Oct 14	580.5	599.05	----	1.41

Metropolitan Unit Trust Mngrs Ltd
3 Daskes Lane, Potters Bar EN6 1AJ. 0707 45184

UK Income Fund	51.4	54.6xd	-0.4	5.49
Accum Units	51.9	55.2xd	-0.5	5.43
UK Growth Fund Acc	49.4	52.5	+0.5	1.90
Global Income Fund	44.4	47.2	-0.6	4.26
Accum Units	44.4	47.2	-0.6	4.26
Global Growth Fund	36.4	38.7	+1	0.65

Midland Bank Group UT Mngrs. Ltd
Courtwood House, Silver St, Head, Sheffield S1 3RD
Tel: 0742 769842

Capital	97.4	103.4	-4.1	1.48
(Accum Units)	134.8	143.1	-0.1	1.48
Commodity & Gen.	144.3	153.2	-9.3	1.76
(Accum Units)	206.1	218.7	-13.3	1.76
European Growth	105.5	112.0	-8	1.24
(Accum Units)	127.4	135.2	-9.6	1.24
Extra High Inc	64.6	68.6xd	-0.2	7.26
(Accum Units)	80.3	85.3	-0.3	7.26
Gilt & Fxd. Int.	54.2	56.7	-1	8.24
(Accum Units)	96.5	100.6	-1.8	8.24
High Yield	182.8	194.0	+1	4.99
(Accum Units)	323.2	343.0	-1.8	4.99
Income	192.2	204.0	-0.2	3.64
(Accum Units)	326.1	346.1	-0.3	3.64
Intl High St UT	45.5	48.4	-0.3	2.41
Do. Accum	45.5	48.4	-0.3	2.41
Japan and Pacific	271.1	287.7	+1.6	0.13
(Accum Units)	284.8	302.2	+1.7	0.13
Managed Portfolio Acc	55.2	58.5	-0.8	1.96
North American	89.8	95.34	+3.1	1.66
(Accum Units)	108.6	115.4	+3.8	1.66
Smaller Cos.	174.0	184.7	-2.5	1.29
(Accum Units)	188.5	200.0	-2.7	1.29

MIM Britannia Unit Tst Mgrs Ltd (a)(c)(g)
74-78 Finsbury Pavement, London EC2A 1JD
01-588 2777 Dealing only: 0800 010733

UK Specialist Trusts				
Growth Gilt	63.8	64.8	-0.1	0.32
Smaller Companies	196.8	209.9	-2.9	0.31
Special Features	122.2	130.3xd	+0.5	0.23
(Accum Units)	128.5	137.1	+0.6	0.22
General Funds				
Assets & Earnings	50.1	53.4	-0.5	1.50
Accum Units	50.4	53.8	-0.5	1.49
Managed Invest Fund	50.2	53.5	-2.1	1.20
UK Growth	39.8	42.5	+0.4	0.96
High Income Funds				
Extra Income	65.9	70.3	-0.3	6.20
Gilt	25.9	27.3	-0.1	8.92
Income & Growth	235.1	250.8xd	-1.6	3.79
National High Income	211.6	225.7xd	+1.4	4.87
Preference Shares	19.9	21.2	+0.3	8.66
Sector Specialist Funds				
Commodity Shares	160.6	171.3	-10.8	0.34

[illegible]

Provident Mutual Unit Trust Managers Ltd.
25-31 Moorgate, London, EC2R 6BA. 01-588 3963

PM Equity Growth	99.1	105.5	+0.1	1.19
PM Income and Growth	87.9	93.6xd	+0.2	3.52
PM N American Growth	37.8	40.2	-3.9	0.49
PM European Growth	42.7	45.4	-2.0	0.49
PM Japan Growth	60.1	63.9	+0.8	0.42
PM Overseas Growth	41.6	44.3	-2.8	0.57

Prudential Holborn Unit Trusts Ltd(a) (b) (c)
51-69 Ilford Hill, Ilford, Essex IG1 2DL 01-478 3377
Holborn LinkLine 0800 010345

Holborn Comm Tst	60.9	65.4	-1.5	0.47
Holborn Equity Income	61.3	65.9	+0.6	3.90
Holborn Equity Tst	436.7	467.2xd	+5.9	2.89
Holborn European Tst	93.6	100.1	-4.0	0.85
Holborn High Inc Tst	77.3	83.1xd	+0.5	5.19
Holborn Intl Grth Tst	87.0	93.0	-3.7	0.94
Holborn Intl Sm Co	38.5	41.1	-1.5	0.06
Holborn Japanese Tst	111.8	119.6	+0.8	0.05
Holborn N. Amer Tst	59.2	65.5	-4.4	0.74
Holborn Premier Inc	42.2	45.1	----	2.10
Holborn Sm Cos Tst	64.1	68.9	-8.4	1.69
Holborn Spec Sits Tst	73.9	79.0	+1.2	1.86
Holborn UK Growth Tst	84.3	90.4	+1.4	2.07

Quilter Management Co Ltd
31-45 Gresham Street, London EC2 01-600 4177

Quadrant Gen. Fd	529.8	560.7xd	-31.2	1.79
Quadrant Income	267.6	280.2	-18.8	4.67
Quadrant Intl. Fund	357.0	377.8	-46.7	1.38
Quadrant Spec. Sits	354.8	375.5xd	-32.0	1.56

Reliance Unit Mgrs. Ltd
Reliance House, Tunbridge Wells, Kent 0892 510033

British Life	184.3	196.0xd	+3.8	3.08
Reliance Unit Tst (Inc)	137.1	145.8xd	+1.2	1.81
Reliance Ut Tst (Acc)	185.6	197.3	+1.5	1.81

Rensburg Fund Managers
Silkhouse Ct., Tithebarn St., Liverpool. 051-227 2030

Internat. Growth Trust	39.0	42.4xd	----	—

N.M. Rothschild Fund Mgmt
St Swithin's Lane, London EC4 01-634 2980/4

NC America (Inc)	212.4	226.4	-21.7	1.02
NC America (Acc)	235.1	250.1	-23.9	1.02
NC Inc Fd.	96.4	102.5	+0.1	4.55
NC Japan Fd.	177.5	190.8	+2.9	0.00
NC Major UK Cos Fd	52.7	56.0	+0.4	2.48
NC Smlr Australasian	74.6	79.3	-3.7	0.75
NC Smlr Canadian CoFd	40.3	42.8	-1.0	1.26
NC Smaller Cos	196.4	208.9xd	-2.4	1.58
NC Smaller European	162.8	173.1	-9.1	0.48
NC Prop.*	162.1	177.2	----	

*Unauthorised Unit Trusts

Royal Bank of Canada Fds.
RBC Trust Managers Limited.
1, London Wall, London EC2Y 5JX. 01-600 6222

RBC Select Gwth Acc	64.8	68.9	----	—
RBC Select Income	62.7	66.7	----	—
RBC Select Inc Acc	64.2	68.3	----	—
RBC Select N. American	42.4	45.1	----	—
RBC Select Intnl	45.5	48.9	----	—

Royal Life Fd Mgmt Ltd
PO Box 34, Peterborough PE2 0UE. 0733 230000

Equity Trust	67.7	72.0	----	2.57
International Trust	74.4	79.1	----	1.24
United States Trust	30.1	32.0	----	1.14
Pacific Basin	51.2	54.5	----	0.19
Gilt Trust	26.3	27.8	----	9.65
Equity Growth Accum	224.3	238.7	----	1.64
Equity Growth Dist	157.5	167.6	----	1.64
High Inc Accum	124.5	132.5	----	3.24
High Inc Dist	101.5	108.4	----	3.24
US Growth Accum	33.3	34.8	----	1.04
US Growth Dist	32.1	35.5	----	1.04

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INSURANCES

[illegible]

Continued on next page

FT UNIT TRUST INFORMATION SERVICE

Manufacturers Life Insurance—Contd.

Gilt-Edged Int.	224 7		
Do. Accum	277 7		—
Guaranteed Int.	159 5		—
Do. Accum.	197.2		—
International Unit.	424.6		—
Do Accum.	524 3		—
Index Lk. Gilt Int.	126.3		—
Do. Accum.	156.0		—

Merchant Investors Assurance

Leon House, 233 High St, Croydon 01-686 9171

Property	326 4	+1.3	—
Property Pens.	444 0	+2.1	—
Equity	161.5	-8.1	—
Equity Pens.	679.5	-48.7	—
Money Market	307.8	+5 4	—
Money Mkt. Pens.	556.3	+9.8	—
Deposit	240.9	+0.1	—
Deposit Pens.	387.1	+0.2	—
Managed	257.6	-9.9	—
Managed Pens.	477.5	-19.1	—
Intl. Equity	271.3	-26.8	—
Do. Pens.	425.0	-29.2	—
Intl. Managed	256.2	-23.1	—
Do. Pens.	365.5	-23.3	—
North American	99 4	-11.5	—
Do. Pens.	121.5	-9.2	—
Far East	201.9	-49.6	—
Do. Pens.	297.6	-47.3	—
Intnl. Currency	162.0	-4.7	—

Norwich Union Assurance

Provincial Life Assurance Co Ltd

Royal Heritage Life Assur.—Contd.

Standard Life Assurance Company

Target Life Assurance Co. Ltd.

The Norwester Group

OFFSHORE AND OVERSEAS

MANAGEMENT SERVICES

FT UNIT TRUST INFORMATION SERVICE

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1987 High	1987 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
101[illegible]	100[illegible]	Treas. 12pc 1987	100[illegible]	..	—	—
99[illegible]	97[illegible]	Treas 7¼pc 1985-88‡‡	99[illegible]	..	7.78	8.87
102¼	99[illegible]	Exch 10½pc '88	100[illegible]	-[illegible]	10.44	9.33
101[illegible]	98[illegible]	Treas 9¾pc Cv '88	100[illegible]	-[illegible]	9.73	9.30
97[illegible]	93[illegible]	Transport 3pc '78-88	97[illegible]	-[illegible]	3.08	7.07
101[illegible]	98[illegible]	Treas. 9½pc '88	100¼	-[illegible]	9.48	9.20
105[illegible]	101[illegible]	Treas 11½pc 1989	102[illegible]	-[illegible]	11.21	9.31
102[illegible]	97[illegible]	Treas 9½pc Cnv 1989	100[illegible]	-[illegible]	9.48	9.30
94[illegible]	89¾	Treas 3pc 1989	94[illegible]	-[illegible]	3.18	6.85
104[illegible]	99[illegible]	Treas 10½pc 1989	101[illegible]	-[illegible]	10.34	9.39
103[illegible]	98[illegible]	Exch 10pc 1989	100[illegible]	-[illegible]	9.92	9.43
105[illegible]	100[illegible]	Exch 11pc 1989	102[illegible]	-[illegible]	10.72	9.47
95[illegible]	89[illegible]	Treas 5pc 1986-89	94[illegible]	-[illegible]	5.30	8.13
108[illegible]	99[illegible]	Exch 10¼pc Cv '89	103	-[illegible]	10.04	9.08
111[illegible]	104[illegible]	Treas 13pc 1990‡‡	107[illegible]	-[illegible]	12.14	9.34
106½	100[illegible]	Exch 11pc 1990‡‡	103[illegible]	-[illegible]	10.67	9.40
110[illegible]	103[illegible]	Exch. 12½pc 1990	106[illegible]	-[illegible]	11.73	9.39
91[illegible]	84[illegible]	Treas. 3pc 1990	90[illegible]	-[illegible]	3.33	7.32
100[illegible]	93[illegible]	Treas 8¼pc 1987-90‡‡	97[illegible]	-[illegible]	8.44	9.19
105	97[illegible]	Treas. 10pc Cv 1990	101[illegible]	-[illegible]	9.88	9.50
89[illegible]	81[illegible]	Exch 2½pc 1990	87[illegible]	-[illegible]	2.85	7.03
110½	102[illegible]	Treas 11¾pc 1991	106[illegible]	-[illegible]	11.07	9.45
95[illegible]	87¾	Funding 5¾pc '87-91‡‡	90[illegible]	-[illegible]	6.33	8.91
89[illegible]	80¾	Treas. 3pc 1991	86[illegible]	-[illegible]	3.48	7.54
110[illegible]	98½	Treas 10pc Cv '91 ‡‡	103[illegible]	-[illegible]	9.78	4.26
109[illegible]	101[illegible]	Exch 11pc 1991	105[illegible]	-[illegible]	10.47	9.44
96[illegible]	91[illegible]	Treas. 8pc 1991	95[illegible]	-[illegible]		
116[illegible]	107[illegible]	Treas 12¾pc 1992‡‡	111[illegible]	-[illegible]	11.47	9.46
106[illegible]	97[illegible]	Treas 10pc 1992	101[illegible]	-[illegible]	9.83	9.49

Five to Fifteen Years

Over Fifteen Years

BRITISH FUNDS—Contd

Undated

Index-Linked

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

AMERICANS

Continued on next page

Money Market Bank Accounts

Money Market Trust Funds

UNIT TRUST NOTES

LONDON SHARE SERVICE

AMERICANS—Continued

1987 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
39	21⅛	Rep NY Corpn $5	21⅝	–2½	$1.16	—	3.3
18⅞	8⅛	Rockwell Intl. $1	11¹³⁄₁₆	–11	66c	—	3.6
30⅞	16¾	Sara Lee $1	20½xd	–2⅞	$1.00	—	3.0
11¹⁄₁₆	8⅞	Saul (B. F.) $1	10⅝	–⅛	20c	—	1.2
27½	21¼	Southwestern Bell $1	21¾	–1¼	h$2.32	—	6.5
22⅞	12¾	Staley Continental	12¾	–1¼	80c	—	4.0
44¹⁄₁₆	21⅝	Sun Co. Inc. $1	28	–4¹⁄₁₆	$3.00	—	6.6
42⅞	24	TRW Inc. $0.625	24½	–2⅞	h$1.60	—	4.1
37⅞	22⅞	Tenneco $5	22⅞	–2⅞	$3.04	—	8.1
220	149½	Do. 10pcLn.Stk. 91-5	150xd	–70	10%	—	14.7
29⅝	16⅝	Texaco $6.25	16⅝xd	–2⅞	$3.00	—	11.1
74¹⁄₁₆	45	Time Inc. $1	45xd	–3¹¹⁄₁₆	$1.00	—	1.4
20⅞	11	Tracor $0.33	18⅞xd	.....	40c	—	1.3
30¼	15¹⁄₁₆	Transamerica $1	17¹⁄₁₆xd	–1⅞	$1.64	—	6.6
14⅞	1¼	Transworld Corp $5	674p	–222	20c	—	1.8
27⅞	12½	TRINOVA Corp.	12½	–2¼	h$1.00	—	4.9
24⅞	12⅝	♥USX $1	14⅞	–1⅞	$1.20	—	4.9
19⅝	11	Union Carbide $1	11	–1¾	$1.50	—	8.4
37⅞	19⅞	Utd. Technologies	19⅞xd	–1⅞	$1.40	—	4.3
38⅝	26½	US West	29¼	–1½	$3.28	—	6.9
30½	17⅞	Waste Management $1	18½	–2⅞	—	—	—
£31⅝	£14⅞	Whirlpool $1.0	£14⅞	–⅞	—	—	—
37⅞	19⅞	♥Woolworth $3½	19⅞	–1¼	$1.32	—	4.2

CANADIANS

1987 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
591p	264p	ABM Gold Corp ‡	264p	–39	—	—	—
26⅞	10p	♥Abbot Energy Corp.	26p	–½	—	—	—
18⅞	506p	♥Amer. Barrick Res.	955pxc	–120	—	—	—
136p	32p	Amer. Daleco	34½p	.....	—	—	—
141p	9p	American Lightwave	9p	–2¼	—	—	—
123p	45p	♥Arrideno	45p	–9	—	—	—
117	44	Augmitto Expln.	56½xp	–7	—	—	—
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS—Cont

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY AND STORES—Cont.

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

ENGINEERING—Continued

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS—Continued

[illegible]

INDUSTRIALS—Continued

[illegible]

INSURANCES

[illegible]

LONDON SHARE SERVICE

INSURANCES—Continued

[illegible]

LEISURE

[illegible]

MOTORS

Motors and Cycles

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PAPER, PRINTING—Continued

[illegible]

PROPERTY

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TEXTILES—Cont.

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

FINANCE, LAND—Cont.

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS—Continued

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

MINES—Continued

[illegible]

Tins

[illegible]

Miscellaneous

[illegible]

THIRD MARKET

1987 High	Low	Stock	Price	+ or -	Div Net	C'vr	Gr's	P/E
[illegible]								
186	90	Far East Res. 10p	95	+5	—	—	—	—
110	30	Gardner (J.) 5p	83	.....	R1.25	2.3	2.1	29.[illegible]
53	29	Honorail Group 5p	37	.....	—	—	—	31.[illegible]
133	65	Leading Leisure 5p	75	+8	0.9	3.1	1.6	21.7
95	68	Lynx Tech. 5p	85	+10	b—	—	—	9.8
180	115	Medirace 10p	128	.....	—	—	—	—
98	44	♦Omega Gold IR 2p	66	+3	—	—	—	—
82	17	Publishing Hldgs.5p	50α	+9	—	—	—	30.1
128	103	Seacon Hldgs	103	.....	—	—	—	15.7
87	45½	Theme Holdings	53	+1	1.0	1.9	2.6	28.4
210	140	UPL Group 10p	155	.....	12.41	2.8	2.1	—
140	103	Unit Group	103	.....	R4.6	2.5	6.2	(47.3)

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 27 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock".
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ♦ Figures or report awaited.
- ♥ Not officially UK listed; dealings permitted under Rule 535(4)(a).
- ÷ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Dealt in under Rule 535(3)
- ø Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress.
- ♦ Not comparable.
- ♦ Same interim: reduced final and/or reduced earnings indicated.
- ♦ Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- || No par value.

B.Fr. Belgian Francs. Fr. French Francs. ǂǂ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1986-87. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1986. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1987. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p	86	−2
Craig & Rose £1	688	.....
Finlay Pkg. 5p	160	−3
Holt (Jos) 25p	£11½	.....
IoM Stm. £1	289	+13

IRISH

Fund 11¾% 1988	£100⅝	+⅛
Nat. 9¾% 84/89	£93¾	+⅛
Fin. 13% 97/02	£109¼	.....
Arnotts	300	.....
CPI Hldgs	75	.....
Carroll Inds.	155	.....
Dublin Gas	40d	.....
Hall (R. & H.)	140	.....
Heiton Hldgs.	57	−3
Irish Ropes	210	.....
Norish	340	.....
Unidare	368	.....

TRADITIONAL OPTIONS

3-month call rates

Industrials	p
Allied-Lyons	40
Amstrad	19
BAT	62
BOC Grp	50
BSR	17
BTR	36
Babcock	32
Barclays	52
Beecham	52
Blue Circle	50
Boots	30
Bowaters	50
Brit Aerospace	50
Brit. Telecom	28
Burton Ord	32
Cadburys	25
Charter Cons.	45
Comm Union	34
Courtaulds	45
FNFC	32
Gen Accident	95
GEC	22
Glaxo	200
Grand Met.	50
GUS 'A'	125
Guardian	95
GKN	38
Hanson Tst.	17
Hawker Sidd	58
ICI	125
Jaguar	52
Ladbroke	45
Legal & Gen.	32
Lex Service	45
Lloyds Bank	35
Lucas Inds.	75
Marks & Spencer	22
Midland Bk	45
Morgan Grenfell	55
NEI	13
Nat West Bk	65
P & O Dfd	65
Plessey	20
Polly Peck	94
Racal Elect	32
RHM	35
Rank Org Ord	70
Reed Intnl	50
STC	30
Sears	16
TI	37
TSB	12
Tesco	18
Thorn EMI	65
Trust Houses	25
T&N	26
Unilever	62
Vickers	20
Wellcome	42
Property	
Brit Land	30
Land Securities	50
MEPC	48
Peachey	40
Oils	
Brit Petroleum	32
Britoil	30
Burmah Oil	52
Charterhall	10
Premier	11
Shell	125
Tricentrol	11
Ultramar	26
Mines	
Cons Gold	125
Lonrho	28
Rio T Zinc	100

A selection of Options traded is given on the London Stock Exchange Report Page.

LONDON STOCK EXCHANGE

*First Dealings	Option Declarations	Last Dealings	Account Day
Sept 28	Oct 8	Oct 9	Oct 19
Oct 12	Oct 22	Oct 23	Nov 2
Oct 26	Nov 5	Nov 6	Nov 16

Account Dealing Dates

*New time dealings may take place from 9.00am two business days earlier.

Equities show recovery while Government bonds give back some of recent gains

THE UK stock market responded to the rally in the Far Eastern and US trading centres with a somewhat cautious improvement. Share prices were topping off at the close as Mr Nigel Lawson, the UK Chancellor of the Exchequer answered questions on the economy in the House of Commons.

Concern over prospects for a postponement of the £7.2bn British Petroleum share offer, due to close today, were still unanswered at the close of the UK markets. London and overseas banks underwriting the issue face substantial losses, which will fall on the market at the end of this week.

Once again, it was a roller-coaster session, with attempts to take prices to higher ground constantly checked by profit-taking from within the market. Market turnover was high at £645.3m.

Share prices opened sharply higher as the good news from Hong Kong and Tokyo brought in some genuine investor buying of stocks in London.

Private investors were encouraged both by hopes for further cuts in UK bank base rates, and by an encouraging survey of opinion by the Confederation of British Industry.

But marketmakers were quick to sell into a rising stock market, and share prices soon turned back, and drifted briefly into negative territory at mid-session.

The equity sector recovered ground later, and responded briefly to an opening spurt in the New York stock market. But buying support failed to strengthen, and prices were trimmed when Wall Street gave back part of its initial gain.

At the close, the FT-SE 100 Index was a net 19.2 up at 1703.3, a modest enough rally in the Index which had fallen by 617 points over the previous six trading sessions.

The shadow of the BP issue lay over the market, which seemed "relatively disinterested" in international factors after the first hour of trading, according to a dealer at a major US house.

Shares in **British Petroleum** remained sluggish as the City awaited news on the progress of the issue. At last night's close, the shares remained more than 60p below the 330p price at which the new stock was underwritten.

British Airways managed a small gain but other privatisation issue, including **British Gas and British Telecom**, made little headway despite the firmer trend of the market. Much of the index gains came from a rally in retail and financial stocks, which were hit hard during last week's shakeout.

Government bonds closed about ⅝ down as traders reacted to the doubts over the BP issue. If the issue were withdrawn, then the lost cash to the Treasury coffers could mean sales of bonds by the authorities.

However, bonds had rallied from their low points, responding to a similar trend in the US Federal market. Index-linked bonds gave back 1¼ of their recent rise as traders took profits. Financial sectors moved erratically, mirroring swings in other markets. The big-four banks included firm features in **Barclays**, 20 up at 463p, **NatWest**, 17 firmer at 560p - both stocks are regarded as prime defensive stocks in falling markets - while **Midland**, still a bid target according to recent reports, added 8 at 363p. But **Lloyds** were again upset by worries over Third World debts, particularly in Brazil,and dipped 20 to 260p.

Royal Bank of Scotland put on 16 to 321p, after vague takeover hopes resurfaced, while **TSB** edged up 2 to 117p on a tunover of more than 4.5m shares. Little interest was shown in merchant banks. **Morgan Grenfell** hardened 15 to 305p but **SG Warburg** eased a shade to 330p.

Elsewhere, **FNFC** attracted persistent support and rallied well to close 32 higher at 226p, while the better showing in Hong Kong markets after the latest rescue package announced yesterday helped **Hong Kong & Shanghai Bank** move up 6 to 57p

A technical rally triggered widespread good gains throughoutinsurances. **Legal & General** gained 14 to 263p and **Prudential** rose 30 to 793p, in lifes, while composites were featured by **Commercial Union**, up 5 to 328p, and **Royals** which spurted 15 to 390p. Brokers showed **Willis Faber** 6 harder at 289p and **Sedgwick** a few pence better at 213p. Brewery shares took a modest turn for the better as investors began to show interest in what is regarded in some quarters as one of the sectors with useful defensive qualities. Trading in the leaders was a little more brisk than of late, but the main feature of the day was provided in the secondary stocks where **Greene King** moved ahead smartly on reports that Elders IXL was attempting to increase its 4.9 per cent holding in the company to around 15 per cent. **Greene King** closed 28 higher at 458p. Among some of the other more speculative issues, **Vaux** advanced 21 to 510 and **Wolverhampton and Dudley** 7 to 377p. **Matthew Brown**, in contrast, dipped 63 to 600p as Scottish and Newcastle won its bid battle for the company and withdrew its cash offer of 750p per share. The share exchange terms remain open.

Leading Building issues seesawed in relatively low turnover prior to closing firmer for choice. Particular attention was paid to the sector's prime takeover candidates **Barratt Developments** and **Costain**, the former touching 162p prior to closing 10 higher at 160p and the latter rising 19 to 237p. **Taylor Woodrow** were deemed oversold and rallied 18 to 290p, while **John Mowlem** picked up 26 at 339p. Elsewhere, **Tarmac** improved 14 to 222p following publicity given to the forthcoming visit by analysts to its US operations. **Blue Circle** picked up 12 at 310p and **Steetley** improved 9 to 318p. **Marley** put on 1518o 140½p amid reports that a parcel of some ½m shares had been easily placed. **Ashstead** gained 90 to 375p in a restricted market following the chairman's confident statement at the annual meeting.

Stores continued to display the defensive qualities of the sector and made rapid progress early on before retreating and picking up again. **Marks and Spencer**, scheduled to announce interim results today - BZW are forecasting £182m pre-tax, Wood Mac £175m and County NatWest £178m - closed 3½ up at 206p, after 209p.

N.Brown Investments, after announcing interim profits up from £2.7m to £4.9m and a proposed sub-division of the shares to 10p units, hardened 10 to 800p.

But **Underwoods** suffered badly from selling triggered by adverse Press comment on the static profits performanceannounced on Monday anddropped 17 to 128p, after 126p.

Among a handful of features in the electricals and electronics sector **Cable & Wireless** performed exceptionally well, closing 24 up at 304p on a turnover of 9m shares in response to the improvement on the Hong Kong market. **British Telecom** also attracted good support on yield considerations and settled 2 firmer at 225p.

STC proved a notable weak spot and the shares fell sharply to close 22 down at 206p after news that Northern Telecom has agreed to reduce its stake in the company - recently acquired from America's ITT - from around 28 per cent to 24 per cent. **Amstrad** also came under persistent small selling pressure to end the session a net 11 off at 122p, while **Thorn EMI** remained a vulnerable market and retreated 8 more to 470p

Pressac jumped to 275p immediately following the sharply increased annual profits but succumbed to profit-taking and ended the day a net 10 up at 265p, while preliminary profits up from £1.82m to £3m and a proposed one-for-three scrip issue lifted **Microfilm Reproductions** to 510p prior to a close of 480p, down 15 on the day. News that Dutch group Geveke Electronic has taken a 10.3 per cent stake in the company lifted **Zygal Dynamics** 15 to 135p.

Selected leading Foods went better as the overall tone improved. **Cadbury Schweppes** fared best among international stocks within the sector and rallied 7 to 224p. **Tate and Lyle** on the other hand continued to drift and settled 9 off at 645p. **Dalgety** improved 10 to 290p on yield considerations, while **Booker**, having taken a pounding on Monday, picked up 11 at 321p. **Hillsdown** improved 5 at 255p and **Northern** hardened a penny to 233p. Among Retailers, **J. Sainsbury** recovered 12 at 240p and **Tesco** picked up 7 at 169p.

Hotels staged a moderate rally with **Ladbroke** 3 up at 329p and **Trusthouse** a similar amount to the good at 200p. **Grand Metropolitan** were a subdued market and settled 8 off at 400p.

International stocks opened higher, but with market nerves still frayed by the recent rout, prices soon began to drift back from the day's best levels. A firmer start to trading on Wall Street failed to inspire any real confidence and final gains on the day were relatively modest. **Boots**, however, staged a good revival in line with the other Store leaders before closing 7 higher at 229p in a volume of some 2.5m shares. **Hanson Trust** were again one of the most actively traded stocks (11m) but settled only a penny firmer at 125p. **Glaxo** finished unaltered at £11⅛, while **Fisons**, up to 275p at one stage, ended only 9 better at 258p. Among the anti/Aids related stocks, **Wellcome** remained friendless at 313p, down 5, but **London International** stage a usefull revival at 240p, up 21.

Elsewhere, **Reed International**, in which Mr Rupert Murdoch recently acquired a near 5 per cent stake, met with a revival of speculative demand and closed 18 higher at 399p in a volume of some 7.5m shares. **Pearson** dipped 47 further to 638p; the company announced yesterday that it had decided not to go ahead with the sale of its Westpool holding because of the material adverse change in market conditions. **Tranwood**, in contrast, featured with a jump of 8 to 52p on news that the AlDahlawi Company and its chairman have acquired a combined holding of 5.9 per cent. It is intended to expand the links between AL Dahlawi's banking and financial services operations in the Middle East and Tranwood's financial services subsidiaries in London.

Really Useful touched 510p on the increased annual profits and proposed 100 per cent scrip issue before slipping back to close unchanged at 505p. **Leisure Investments** rose 10 to 120p; Ritz Palace has increased its holding to 28 per cent.

In the Motor sector, **Lucas** rallied 10 to 509p on the company's defensive merits; Scrimgeour Vickers expect further strong profits growth and highlight the high net asset value relative to the share price.

The Property sector had a healthier feel about it, but an initial surge failed to hold and prices closed well below the best. **Land Securities**, having touched 440p early on, eventually closed only 5 dearer on balance at 435p. **MEPC** finished 2 dearer at 425p, after 432p. **Peachey** staged a useful rally to close 8 better at 338p.

Selected secondary issues staged a recovery with **Helical Bar** rising 12 to 222p and **New England Properties** gaining 7 to 42p. **Phoenix Properties**, boosted by traditional option activity, added 15 to 105p and **Clarke Nickolls** rallied 10 to 110p.

Bat Industries lost most of an early small improvement to close little altered at 451p, but **Rothmans**, an old takeover favourite, closed 30 better at 347p. A strong rally first thing in oil and gas issues was "overdone" according to dealers who quickly marked prices lower after the initial strong gains. However, sentiment improved during the afternoon but not enough to preventwidespread overall falls in the sector. Traded option activity tailed off. 32,338 contracts were transacted comprising 19,163 calls and 13,175 puts. The FTSE contract attracted 1,233 calls and a similar number of puts. Hanson Trust were again popular with 1,497 calls and only 890 puts transacted.

FINANCIAL TIMES STOCK INDICES

	Oct. 27	Oct. 26	Oct. 23	Oct. 22	Oct. 21	Year ago	1987 High	1987 Low	Since Compilation High	Since Compilation Low
Government Secs	88.92	89.68	87.50	86.06	85.47	82.94	93.32 (8/5)	83.73 (19/10)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	93.19	93.42	91.96	91.90	91.75	88.86	99.12 (15/6)	90.23 (2/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary ♥	1322.0	1307.1	1396.8	1435.3	1527.3	1255.6	1,926.2 (16/7)	1,307.1 (26/10)	1,926.2 (16/7/87)	49.4 (26/6/40)
Gold Mines	330.2	350.5	386.4	399.0	396.8	277.7	497.5 (4/8)	288.2 (19/2)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div. Yield	4.66	4.67	4.37	4.22	3.97	4.46				
Earnings Yld.%(full)	11.57	11.50	10.76	10.41	9.72	10.29				
P/E Ratio (net) (*)	10.57	10.66	11.40	11.78	12.58	11.92				
SEAQ Bargains (5 pm)	57,523	57,989	74,661	86,240	103,680	—				
Equity Turnover (£m)	—	1493.72	3021.66	2688.91	2898.13	623.60				
Equity Bargains	—	78,322	99,151	114,974	109,235	23,512				
Shares Traded (ml)	—	659.2	863.4	919.1	834.4	274.8				

S.E. ACTIVITY

Indices	Oct. 26	Oct. 23
Gilt Edged Bargains	166.6	163.6
Equity Bargains	507.5	642.5
Equity Value	3019.2	6107.6
5-Day Average		
Gilt Edged Bargains	147.9	140.5
Equity Bargains	625.5	596.2
Equity Value	5197.4	5612.5

♥ Opening	10 a.m.	11 a.m.	Noon	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1342.9	1333.3	1330.2	1311.9	1315.1	1328.1	1338.5	1324.1

Day's High 1345.6 Day's Low 1303.7 Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 15.67 * Nil=10.42.

LONDON REPORT AND LATEST SHARE INDEX: TEL. 01-246 8026

NEW HIGHS AND LOWS FOR 1987

NEW HIGHS (0)

NEW LOWS (218)

AMERICANS (47), CANADIANS (21), BANKS (2), BREWERS (2), BUILDINGS (3), CHEMICALS (4), STORES (4), ELECTRICALS (13), ENGINEERING (2), FOODS (2), INDUSTRIALS (15), INSURANCE (8), LEISURE (3), MOTORS (1), NEWSPAPERS (2), PAPERS (6), PROPERTY (6), SHIPPING (3), TEXTILES (1), TRUSTS (26), OILS (7), OVERSEAS TRADERS (1).

Traditional Options

- First dealings Oct 5
- Last dealings Oct 16
- Last declarations Jan 7
- For Settlement Jan 18

For rate indications see end of London Share Service

Stocks dealt in for the call included Morgan Grenfell, Amstrad, Argyle Trust, Caradon, Phoenix Properties, Southend Stadium, Lonrho, Dinkee Heel, B. Elliott, British Petroleum Tottenham Hotspur, Thomas Borthwick, Rolls-Royce, Britoil, Wellcome, Hillsdown, GKN, Bryant Holdings, Newage Transmission and C.H. Bailey. No puts or double options were reported.

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Closing price	Day's change
ASDA-MFI	2,400	169	+5
Allied Lyons	9,200	334	+16
Amstrad	2,300	122	−11
Argyll Group	5,600	185	+1
Assoc. Brit. Foods	263	295	+2
BAA	6,100	108	+1
BAT	3,600	451	+1
BET	520	209	—
BICC	637	317	−3
BOC	2,300	335	−3
BPB Inds	1,700	245	−1
BTR	2,200	258	+11
Barclays	2,100	465	+20
Bass	41600	887	+15
Beecham	2,000	398	+5
Blue Arrow	4,000	97	+7
Blue Circle	1,200	310	+12
Boots	4,200	229	+7
Brit. Airways	5,650	152	+8
Brit. Aero	5,100	387	+13
Brit. & Comm.	793	345	+24
British Gas	16,000	141	−1
Britoil	2,100	218	−5
BP	2,000	259	−7
Brit. Telecom	10,000	225	+2
Bunzl	3,900	181	+1
Burton	3,000	223	+6
Cable & Wire	9,100	304	+24
Cadbury Schwps	5,300	224	+7
Coats Viyella	2,200	269	+14
Comm. Union	2,600	328	+5
Cons. Gold	8760	793	−72
Cookson	217	551	+10
Courtaulds	1,300	352	+4
Dee Corpn.	5,600	172	+2
Dixons Group	3,100	258	+11
English China Clays	177	370	—
Fisons	3,600	258	+9
Gen. Accident	259	775	+2
Gen. Elect	12,000	181	−2
Glaxo	2,700	£11⅛	—
Globe Investment	1,900	140	+3
Granada	684	271	−2
Grand Met	2,300	400	−8
GUS "A"	415	£11½	+½
Guardian R.E.	380	845	+40
GKN	1,400	256	−4
Guinness	5,700	267	−3
Hammerson	51	500xd	−5
Hanson Trust	12,000	125	+1
Hawker Sidd	601	434	+22
Hillsdown Hldgs	3,900	255	+53
ICI	2,700	£10⅝	−⅛

Stock	Volume 000's	Closing price	Day's change
Jaguar	3,000	313	−23
Ladbroke	906	329	+3
Land Securities	2,000	435	+5
Legal & Gen.	867	263	+14
Lloyds Bank	3,200	260	−20
LASMO	1,100	269	−12
Lonrho	5,000	231	+21
Lucas	881	509	+10
MEPC	650	425	+2
Marks & Spencer	4,800	206	+3½
Midland Bank	2,200	363	+8
Natwest Bank	4,100	560	+17
Next	1,300	276	+1
Pearson	239	638	−47
P & O	1,300	488	+28
Pilkington Bros	3,800	218	+3
Plessey	13,000	147	−3
Prudential	846	793	+30
Racal	2,200	216	−2
Rank Org.	538	536	+6
RHM	429	270	−6
Reckitt & Col	285	779	+5
Redland	2,000	369	+3
Reed Intl	7,900	399	+18
Reuters	723	472	+4
RTZ	1,600	303	+5
Rolls-Royce	16,000	128xd	+1
Rothmans Intl	608	347	+30
Rowntree	746	407	+7
Ryl Bank Scotland	1,000	321	+16
Royal Insurance	986	390	+15
STC	3,100	206	−22
Sainsbury	1,600	240	+12
Scott & Newcastle	4,000	192	−11
Sears	3,800	124	+5½
Sedgwick	616	213	+4
Shell Trans	1,700	£10⅝	+¼
Smith & Nephew	1,900	132	+3
Standard Chart.	583	488	−5
Storehouse	1,100	281	+6
Sun Alliance	429	858	−12
TSB	6,900	117	+2
Tarmac	1,400	222	+14
Tesco	5,500	169	+7
Thorn EMI	2,000	470	−8
Trafalgar House	2,600	300	+9
T'house Forte	5,350	200	+3
Ultramar	705	211	−1
Unilever	2,200	470	+14
United Biscuits	1,100	252	+2
Wellcome	2,200	313	−5
Whitbread "A"	3,800	273	+5
Woolworth	2,400	287	−2

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	1	109	2
Corporations, Dominion and Foreign Bonds	7	19	29
Industrials	638	491	457
Financial and Properties	193	225	212
Oils	34	44	36
Plantations	0	3	11
Mines	24	119	92
Others	32	171	65
Totals	929	1,181	864

FT-ACTUARIES INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Tue Oct 27 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (27%))	Est. P/E Ratio (Net)	xd adj. 1987 to date	Mon Oct 26 Index No.	Fri Oct 23 Index No.	Thu Oct 22 Index No.	Year ago (approx) Index No.
1	CAPITAL GOODS (214)	706.94	+0.7	9.96	4.01	12.61	18.27	701.81	773.59	798.31	645.09
2	Building Materials (30)	897.35	+2.2	10.35	4.10	12.04	22.91	877.67	965.27	1026.09	776.63
3	Contracting, Construction (33)	1302.83	+2.5	9.57	3.86	13.96	29.46	1271.09	1459.32	1531.76	1085.88
4	Electricals (14)	1903.14	+1.8	9.52	4.57	13.71	54.41	1868.95	2030.66	2087.90	1734.28
5	Electronics (34)	1553.25	−2.7	10.40	3.25	12.53	35.33	1595.55	1708.87	1704.90	1400.74
6	Mechanical Engineering (60)	370.97	+0.9	9.84	4.32	12.78	11.01	367.74	411.41	421.06	355.28
8	Metals and Metal Forming (7)	383.88	−0.5	10.26	4.30	11.87	9.11	385.82	439.42	452.26	328.68
9	Motors (14)	259.73	−0.1	11.96	4.48	9.72	5.86	260.03	292.71	303.48	252.42
10	Other Industrial Materials (22)	1207.81	+2.8	8.63	4.29	13.78	36.48	1175.24	1287.17	1340.47	1185.36
21	CONSUMER GROUP (183)	1007.75	+1.4	8.19	3.49	15.53	18.71	993.88	1059.58	1083.15	912.70
22	Brewers and Distillers (22)	934.19	+0.5	10.78	3.96	11.72	17.52	929.55	981.66	1018.10	926.85
25	Food Manufacturing (23)	785.50	+1.6	9.38	3.96	13.76	16.66	772.91	822.06	834.83	701.53
26	Food Retailing (16)	2069.12	+2.9	7.12	2.85	18.72	39.67	2010.78	2081.06	2059.34	1665.26
27	Health and Household Products (10)	1712.45	+0.6	6.56	2.59	17.62	16.41	1702.77	1830.31	1870.95	1480.11
29	Leisure (30)	1067.52	+0.3	7.51	4.26	16.63	28.16	1064.47	1163.57	1191.86	911.67
31	Packaging & Paper (16)	505.08	−1.1	8.18	3.52	16.10	11.13	510.64	549.31	568.89	452.76
32	Publishing & Printing (15)	3372.08	+1.8	6.00	4.20	21.38	67.89	3311.18	3530.12	3637.95	2450.74
34	Stores (35)	859.49	+2.1	8.21	3.42	16.49	16.95	841.67	895.64	918.83	849.91
35	Textiles (16)	622.58	+2.4	10.12	3.71	11.43	12.57	607.74	676.21	705.02	517.20
40	OTHER GROUPS (86)	827.47	+1.1	10.52	4.29	11.84	20.82	818.85	879.20	907.78	769.82
41	Agencies (17)	1015.84	+0.7	6.17	2.23	21.28	16.79	1008.32	1160.51	1217.99	0.0
42	Chemicals (21)	1016.87	−0.5	9.69	4.52	12.61	33.10	1021.69	1107.94	1151.09	979.07
43	Conglomerates (13)	1063.47	−0.1	9.67	4.48	11.83	22.33	1064.70	1140.31	1181.15	0.0
45	Shipping and Transport (11)	1752.93	+2.6	9.67	4.70	13.59	51.44	1708.79	1812.25	1923.87	1490.50
47	Telephone Networks (2)	868.82	+2.2	11.67	4.65	11.43	18.98	849.74	879.90	885.51	754.60
48	Miscellaneous (22)	1176.33	+1.4	12.87	4.02	9.27	32.87	1159.63	1273.02	1319.14	1076.88
49	INDUSTRIAL GROUP (483)	889.66	+1.1	9.26	3.84	13.59	19.71	879.68	947.75	972.98	813.82
51	Oil & Gas (17)	1682.53	−0.7	10.19	5.82	12.11	65.73	1693.57	1802.90	1779.42	1318.11
59	500 SHARE INDEX (500)	956.93	+0.9	9.40	4.13	13.35	23.68	948.70	1020.24	1041.49	856.80
61	FINANCIAL GROUP (120)	635.33	+1.4	—	4.84	—	20.08	626.45	677.34	703.18	600.62
62	Banks (8)	634.78	+1.5	21.02	6.13	6.29	25.98	625.68	680.75	698.64	649.35
65	Insurance (Life) (9)	905.72	+2.5	—	4.92	—	32.56	883.32	922.12	973.48	806.93
66	Insurance (Composite) (7)	494.74	+1.7	—	5.57	—	17.20	486.45	520.90	537.85	478.89
67	Insurance (Brokers) (8)	915.86	+0.1	12.13	6.25	10.55	38.19	914.99	989.55	1033.41	1269.39
68	Merchant Banks (12)	391.73	+1.1	—	3.38	—	8.69	387.49	411.54	431.04	342.58
69	Property (48)	946.96	+0.4	5.14	3.14	25.07	16.02	943.19	1027.80	1059.39	781.99
70	Other Financial (28)	411.59	+2.3	8.66	3.89	14.70	10.39	402.14	453.71	482.40	353.27
71	Investment Trusts (88)	879.89	−0.5	—	2.81	—	15.17	884.39	948.95	971.64	897.44
81	Mining Finance (2)	382.82	−2.7	11.88	4.46	9.49	10.41	393.61	441.54	479.75	322.68
91	Overseas Traders (10)	883.55	+4.3	10.42	5.53	11.24	33.95	847.18	942.17	1082.35	745.43
99	ALL-SHARE INDEX (720)	871.35	+0.9	—	4.21	—	22.36	863.73	930.33	953.46	786.97

	Index No.	Day's Change	Day's High	Day's Low	Oct 26	Oct 23	Oct 22	Oct 21	Oct 20	Year ago
FT-SE 100 SHARE INDEX ‡	1703.3	+19.2	1735.0	1677.1	1684.1	1795.2	1833.2	1943.8	1801.6	1583.6

FIXED INTEREST

	PRICE INDICES	Tue Oct 27	Day's change %	Mon Oct 26	xd adj. today	xd adj. 1987 to date
	British Government					
1	5 years	122.55	−0.35	122.98	—	9.45
2	5-15 years	138.60	−0.59	139.41	—	12.01
3	Over 15 years	147.76	−0.55	148.57	—	12.02
4	Irredeemables	166.19	−0.08	166.32	—	13.35
5	All stocks	135.82	−0.50	136.49	—	11.23
	Index-Linked					
6	5 years	120.75	−0.38	121.21	—	2.18
7	Over 5 years	108.51	−1.19	109.82	—	2.89
8	All stocks	109.37	−1.12	110.61	—	2.82
9	Debentures & Loans	116.87	−0.90	117.93	—	9.39
10	Preference	83.03	−0.17	83.17	—	4.95

	AVERAGE GROSS REDEMPTION YIELDS		Tue Oct 27	Mon Oct 26	Year ago (approx.)
	British Government				
1	Low	5 years	8.98	8.86	9.75
2	Coupons	15 years	9.32	9.25	10.37
3		25 years	9.14	9.07	10.38
4	Medium	5 years	9.58	9.42	11.17
5	Coupons	15 years	9.55	9.47	10.74
6		25 years	9.30	9.24	10.39
7	High	5 years	9.65	9.50	11.24
8	Coupons	15 years	9.74	9.66	10.92
9		25 years	9.36	9.31	10.49
10	Irredeemables	†	9.15	9.07	10.15
	Index-Linked				
11	Inflation rate 5%	5yrs.	3.48	3.34	4.34
12	Inflation rate 5%	Over 5 yrs.	4.31	4.23	3.81
13	Inflation rate 10%	5 yrs.	3.62	3.48	2.92
14	Inflation rate 10%	Over 5 yrs.	4.34	4.26	3.65
15	Debs &	5 years	11.23	11.23	11.63
16	Loans	15 years	10.97	10.83	11.58
17		25 years	10.97	10.83	11.53
18	Preference	†	11.00	10.99	11.58

‡Opening index 1730.7; 10 am 1720.1; 11 am 1716.7; Noon 1687.5; 1 pm 1691.9; 2 pm 1710.8; 3 pm 1724.1; 3.30 pm 1709.3; 4 pm 1706.4

† Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A new list of constituents is available from the Publishers, The Financial Times, Bracken House, Cannon Street, London EC4P 4BY, price 15p, by post 32p.

NAME CHANGES: Emess Lighting is now Emess and Triplex is now Triplex Lloyd.

LONDON TRADED OPTIONS

Option		Calls Jan.	Calls Apr.	Calls Jly.	Puts Jan.	Puts Apr.	Puts Jly.
Allied Lyons (*334)	330	33	48	55	27	36	37
	360	18	35	43	47	53	60
	390	10	23	30	70	75	78
Brit. Airways (*150)	140	35	48	60	18	22	30
	160	25	40	50	25	35	50
	180	15	25	40	40	40	50
Brit. & Comm. (*345)	300	65	90	150	20	30	40
	330	50	75	90	35	455	55
	360	30	50	60	50	600	70
[illegible]							

October 27. Total Contracts 32,338. Calls 19,163. Puts 13,175. FT-SE Index Calls 1,233. Puts 1,312. *Underlying security price.

LONDON RECENT ISSUES

EQUITIES

Issue Price	Amount Paid up	Latest Renunc. Date	1987 High	1987 Low	Stock	Closing Price	+ or −	Net. Div.	Times Cov'd	Gross Yield	P.E. Ratio
[illegible]											

FIXED INTEREST STOCKS

Issue Price	Amount Paid up	Latest Renunc. Date	1987 High	1987 Low	Stock	Closing Price	+ or −
[illegible]							

"RIGHTS" OFFERS

Issue Price	Amount Paid up	Latest Renunc. Date	1987 High	1987 Low	Stock	Closing Price	+ or −
[illegible]							

[illegible]

WORLD STOCK MARKETS

AUSTRIA

October 27	Price Sch %	+ or −
Creditanstalt	2,005	−105
Goesser	2,950	−100
Interunfall	11,500	−50
Jungbunzlauer	8,000	−210
Laenderbank	379	−9
Perlmooser	650	−32
Steyr-Daimler	113	−3
Veitscher Mag	750	−38

BELGIUM/LUXEMBOURG

October 27	Price Frs.	+ or −
B.B.L.	2,450	−50
Banque Gen. Du L.	14,400	−100
Bank Int. A	13,800	−200
Bekaert B	9,110	−260
Ciment CBR	5,090	−60
Cockerill	136	−12
Cobepa	6,890	—
Delhaize	3,350	−190
EBES	4,250	−50
Fabrique Nat	1,000	—
GB Inno BM	948	−12
GBL (Brux)L	3,140	−15
Generale Bank	4,995	−15
Gevaert	7,000	+50
Hoboken	6,800	−100
Intercom	3,470	+60
Kredietbank	3,500	−150
Pan Holdings	12,500	—
Petrofina	10,675	−175
Raffinerie Tirle	1,402	−28
Royale Belge	5,400	−100
Soc Gen Belge	2,700	−30
Sofina	10,900	−550
Solvay	11,475	+500
Stanwick Intl	450	−20
Tractebel	6,650	+60
UCB	8,410	−180
Wagons Lits	4,390	−10

DENMARK

October 27	Price Kr %	+ or −
Baltica Hldgs	885.00	−55
Cop Handelsbank	235.00	−2
D. Sukkerfab	295.00	−3
Den Danske Bank	302.00	−5
East Asiatic	180.00	−5
Forenede Bryg	880.00	−10
GNT Holding	250.00	+4
I.S.S.B. Systems	800.00	—
Jyske Bank	460.00	−10
Novo Inds	172.00	+12
Privatbanken	229.00	−1
Sophus Berendsen	865.00	−10
Superfos	220.00	—

FINLAND

October 27	Price Mka	+ or −
Amer	229	−3.5
KOP	57.75	−2.45
Kone	224.5	+5.5
Finnish Sugar	75.25	+0.5
Kymmene	116.5	−5
Nokia	200.5	−5.5
Pohjola 'B'	90.15	−3.75
Rauma-Repola	29	—
Stockmann 'B'	236.5	−5.5
UBF'C'	32.35	−0.2
Utd. Paper	132.5	−4.5
Wartsila (s11)	245	+19.5

FRANCE

October 27	Price Frs.	+ or −
Emprunt 4.5% '73	1,877	−28

GERMANY

October 27	Price Dm.	+ or −
AEG	273.5	+10.5
Allianz AG	1,153 xr	+73
BASF	281.5	+5.2
Bayer	296	+11
Bayer-Hypo	390	+25
Bayer-Verein	383	+13
BHF-Bank	420	+15
BMW	532	+34
Brown Boveri	300	+6
Commerzbank	244.5	+4.5
Cont'l Gummi	266.5	+6.5
Daimler-Benz	883	+35.5
Degussa	418	+13
D'sche Babcock	181	+8
Deutsche Bank	538	+12.5
Dresdner Bank	284	+3
Feldmuehle Nobel	267	+6
Henkel	495	+20
Hochtief	500	—
Hoechst	263	+11
Hoesch Werke	112	+2
Holzmann (P)	359	−16
Horten	200	−7
Hussel	475	+15
Karstadt	451	−6
Kaufhof	438	+3
KHD	137.5	−7.5
Kloeckner Werke	129	−6
Linde	623	−7
Lufthansa	146	+5.5
MAN	156.2	−1.8
Mannesmann	152	+5
Mercedes Hld	737	+31
Metallgesell	290	+5
Muench Rueck	1,520	−108
Nixdorf	679.5	+19.5
Porsche	770	−10
Preussag	168	+11
Rhein West Elect	222	+12
Rosenthal	206	−29
Schering	493	—
Siemens	518	+13
Thyssen	117.5	+3.5
Varta	300	−1
Veba	272	+10
V.E.W.	160	−3
Verein-West	395	−5
Volkswagen	309	+3

ITALY

October 27	Price Lire	+ or −
Banca Com'le	2,611	−99
Bastogi-IRBS	359	+8
CIR	3,995	−57
Credito Italiano	1,663	+12
Fiat	9,795	−105
Generali Assicur	93,800	+200
Italcementi	104,010	−990
La Rinascente	1,062	—
Montedison	1,743	−92
Olivetti	8,835	+145
Pirelli Co	4,805	−200
Pirelli Spa	4,070	−50
Saipem	3,180	−20
Snia BPD	3,140	−60
Toro Assic	23,800	−330

NETHERLANDS

October 27	Price Fls.	+ or −
ACF Holding	43.50	+1.5
AEGON	62.00	+3.7
Ahold	66.00	+4.8
AKZO	125.50	+0.5
ABN	37.90	+0.9
AMEV	46.30	+3.3
AMRO	62.80	+2.7
Buhrmann-Tet	43.00	+1.5
Dordtsche Petroleum	196.20	+5.2

SPAIN

SWEDEN

SWITZERLAND

NORWAY

AUSTRALIA

AUSTRALIA (Continued)

HONG KONG

JAPAN

JAPAN (Continued)

SINGAPORE

SOUTH AFRICA

CANADA

TORONTO

Closing prices October 27

MONTREAL

Closing prices October 26

Indices

NEW YORK

STANDARD AND POORS

N.Y.S.E. ALL COMMON

TORONTO

NEW YORK ACTIVE STOCKS

LONDON – Most Active Stocks
Tuesday, October 27, 1987

	Stocks Traded	Closing Price	Change on Day
Brit Gas	16.6m	141	−1
Rls Royce	16.0m	128	+1
Plessey	13.0m	147	−3
Gen Elect	12.8m	181	−2
Hanson Tr.	12.8m	125	+1
Brit Telecom	16.6m	225	+2
All. Lyons	9.2m	334	+16
Cble & Wire	9.1m	304	+24
Reed Intl	7.9m	399	+18
Guinness	5.7m	267	−3

TOKYO – Most Active Stocks
Tuesday, October 27, 1987

	Stocks Traded	Closing Prices	Change on Day
Nippon Stl	189.28m	432	+17
Kawasaki Stl	66.15m	338	+18
Mitsubishi Heavy Ind.	36.61m	625	+27
Hitachi Ltd	31.06m	1,190	+110
Sumitomo Metal	19.24m	307	+21
NEC	18.72m	1,980	+140
Matsushita Elec Ind	18.02m	2,050	+150
Nippon Kokan	17.41m	335	+22
Sato Kogyo	15.88m	960	+61
Toshiba	14.44m	680	+30

OVER-THE-COUNTER *Nasdaq national market, 2pm prices*

Continued from Page 45

LONDON Chief price changes
(in pence unless otherwise indicated)

RISES:

Barclays	463	+20
Cble & Wrls	304	+24
Cad Scwps	224	+7
Costain	237	+19
Dalgety	290	+10
Fst Nat. Fin	226	+32
Greene King	458	+28
Lgl & Gen	263	+14
Lndon Intl.	240	+21
Marley	140	+18
Reed Intl.	399	+18
Rothmans	347	+30
Ryl Insurance	390	+15
Tarmac	222	+14
Tylr Wdrw	290	+18
Tranwood	52	+8

FALLS:

Conv. 9¾pc 2001	£101¾₁₆	−²⁹⁄₃₂
Conv. 10pc 2002	£103⅜₁₆	−²⁹⁄₃₂
Tr. 2½pc I-L 2009	£93¹⁵⁄₁₆	−1⅝₁₆
Amstrad	122	−11
STC	206	−22
Underwoods	128	−17

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
38½	22	AAR s	.50	3.1	10	773	16¾	d15⅞	16⅛	−⅞
32½	17½	AFG s	.16	.7	8	4209	24⅝	23⅜	23⅜	−⅝
27	10½	AGS s			11	1219	15¼	12½	12⅝	−⅜
10½	6¾	AMCA				2	7⅛	7⅛	7⅛	−⅛
9⅜	3¼	AM Intl			35	3047	4¼	3¾	3⅞	+⅜
65½	31	AMR			9	6790	34¼	31¼	31⅝	−⅜
25	20¼	ANR pf	2.12	11.		8	19¾	d19¾	19¾	−½
12¼	6¾	ARX s			7	627	7⅜	6⅞	7	
73½	34⅜	ASA	2a	4.8		1560	47¾	41¼	41¼	−5⅜
22⅜	9½	AVX			13	942	10¾	9⅞	10⅛	+⅜
87	40	AbtLab	1	2.1	18	6328	46⅝	44¾	46⅝	+3¼
28	15¾	Abitibi g				241	16¼	15⅞	16	+¼
16¾	9	AcmeC	.40	4.0	10	226	10½	9⅞	10	
10½	6⅛	AcmeE	.32b	4.1	27	34	7⅞	7¾	7¾	−¼
23⅞	16½	AdaEx	3.30e	19.		357	17½	16¾	17¼	+¾
19½	8	AdmM s	.24	2.7	7	127	9¾	d	8⅞	8⅞
35	13⅞	AdvSys			14	449	25	20¾	20¾	−¾
24⅞	9½	AMD				8957	11¼	10⅛	10⅝	+⅞
56¾	31⅛	AMD pf	3	9.2		183	33	32½	32¾	+⅞
11⅞	4⅞	Adobe				528	5⅛	4⅞	4⅞	
20½	15	Adob pf	1.84	10.		38	17¾	17½	17¾	+¼
21⅞	17	Adob pf	2.40	13.		18	18¼	18	18	
15	6⅛	Advest	.12a	1.7	5	455	7½	6⅞	7	+⅜
58¼	46	AetnLf	2.76	5.3	7	2877	53¼	51	52⅛	+2
53½	30⅜	AflPb s	.32	.7	7	2882	46½	45	45¼	+¼
26⅞	15	Ahmans	.88	5.4	7	3711	17¼	16⅛	16⅜	−½

Continued on Page 45

NYSE COMPOSITE CLOSING PRICES

Continued from Page 44

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev Close
		X Y Z								
85	50	Xerox	3	5.7	11	1049454		50¾	52¼	+1¼
58¼	52½	Xerox pf5 45		10.		20	54	53¾	54	+¼
31½	19¾	XTRA	.64	2.7	19	1528	25	23⅝	24	+1
28¼	19½	XTRA pf1.94		8.8		80	23	22	22	+¼
33⅞	16⅛	Yorkin			8	388	19¾	18¼	18⅝	+⅛
7¼	2¼	Zapata				609	3½	3¼	3⅜	+¼
37	14⅜	Zayre	.40	2.3	6	5258	18¾	17	17⅛	−⅝
16⅛	10¾	Zemex	.40	3.8	7	36	10⅞	d10½	10½	−⅜
33⅝	10	ZenithE				5082	12⅛	11¼	11⅞	+1⅞
13½	3⅝	ZenLab				6315	4⅛	3½	3⅞	+¼
26½	13½	ZenNtl	.80	5.8	8	435	14¾	13½	13⅞	+¼
20⅜	12⅞	Zero	.36	3.0	12	244	12½	d11⅝	12	−1
30¾	15	Zurnin s .88		3.9	11	434	19	17	17⅝	−1⅛
10⅝	7⅝	Zweig	.65e	8.0		986	8⅝	8⅛	8⅛	−¼

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls – sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE CLOSING PRICES

Stock	Div	P/E	Sls 100s	High	Low	Close	Chnge
AT&E			1897	8⅛	d 7	7⅛	−¾
AcmePr			55	2¼	d 2	2¼	
Actons			67	14⅛	13¾	13¾	+1
AdRusll			241	185	34	32¼	33¼ −2⅞
DWG		7	381	5	4¾	5	
Damson			1680	5-16	¼	¼	−1-16
DataPd	.16		528	7⅛	7	7	
Delmed			1440	15-16	¾	13-16	+1-16
InsSysI.25e			26	2½	2		
IntgSy	1e	7	791	5¼	4¼		
IntClyg	60	18	482	10½	10⅜	10⅜	

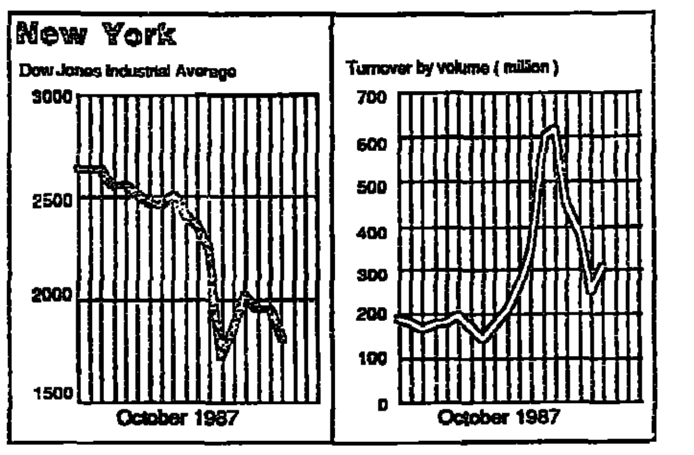
OVER-THE-COUNTER *Nasdaq national market, 2pm prices*

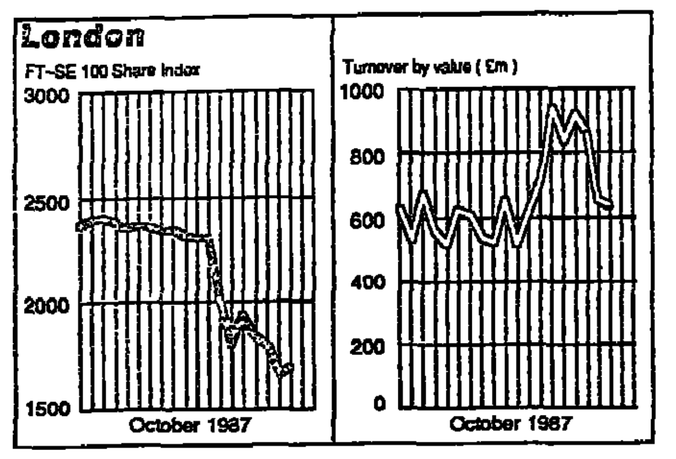
Stock	Sales (Hnds)	High	Low	Last	Chng
[illegible]					

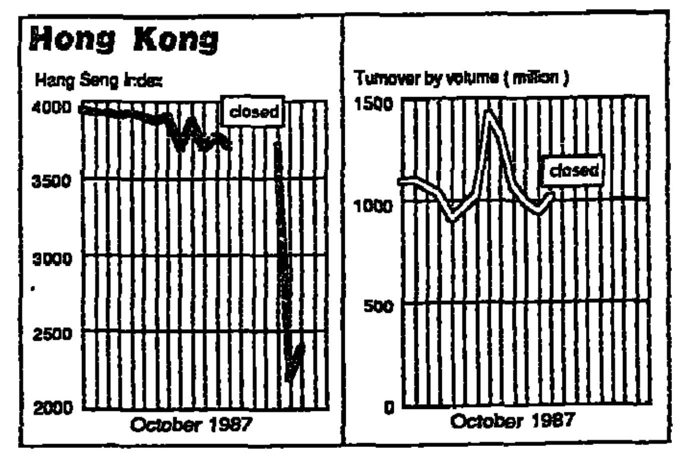
Continued on Page 43

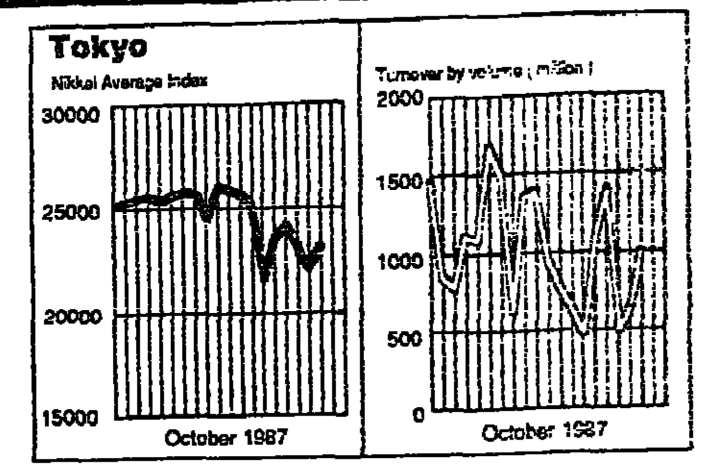
FINANCIAL TIMES

WORLD STOCK MARKETS









Wall Street in modest rally • London muted by BP issue • Far Eastern markets stage strong comeback • Europe shaky

AMERICA

Dow picks up modestly in quieter session

WALL STREET

REASSURED by more stable markets abroad and a weaker bond market at home, Wall Street stocks managed modest gains yesterday in the calmest session since the market rout began 10 days ago, *writes Roderick Oram in New York.*

Bonds, suffering from a weaker dollar, gave up almost 2 points of their spectacular six-session rally which had pushed up the price of the benchmark long bond more than 12 points.

The Dow Jones industrial average closed up 52.55 points at 1,846.48. It was up around 85 points early in the session, but gave up some of its gains as investors took to the sidelines to await developments in the Washington budget talks.

They modest rally was heavily concentrated in the Dow industrials and other blue chips, however. Broader market indices did less well as secondary and tertiary stocks drifted below their opening levels.

New York Stock Exchange volume was 261m shares despite the session ending two hours early. It was the least volatile session since the market's rout began 10 days ago. Advancing stocks outnumbered those declining by only a slim margin.

Japanese investors were inactive buyers and sellers, although some selling was seen from London investors. US companies' continued repurchases of their own stock helped maintain buying.

Among the blue chips, IBM added $4¼ to $116¼, AT&T edged up $¾ to $27, General Motors rose $4½ to $59¾, United Technologies was up $⅝ to $34⅛ and Eastman Kodak gained $1½ to $50½.

Allegis was one of the best performers. It soared $7½ to $69 after it announced the sale of its Westin hotel chain for $1.53bn to Mr Robert Bass, the Texas investor, and a Japanese group.

Resorts International B shares jumped $18 to $118. Mr Donald Trump, the New York property developer and casino owner, offered $135 for each of the voting B shares he does not own. He won control of the casino group in July when he bought 78 per cent of the B shares, 72 per cent of the total voting power.

CBS gained $6⅝ to $152. It said it had begun to negotiate with Sony of Japan which had earlier offered to buy CBS Records. CBS said, however, that any final agreement would be subject to approval by its board. Sony's American Depositary Receipts rose $4¼ to $29⅞.

L.F. Rothschild added $⅜ to $5. The investment dealer was the first major Wall Street firm to announce its losses to date from the stock market's collapse. It suffered a $44m loss, mainly on equity trading and arbitraging.

Brokerage houses lagged behind the market's general rise. Salomon Inc rose $½ to $19¾.

Credit markets opened sharply lower in New York after a sell off in US bonds overnight abroad. By early afternoon they had regained some of the lost ground, leaving the Treasury's benchmark 8.75 per cent long bond off 1⅜ at 97⅜ yielding 9.08 per cent.

Bonds were hit by a weakening dollar, particularly against the D-Mark after West Germany announced a large trade surplus, and by the better showing of equity markets. With the inflow of cash from equity markets slowing, the yield on three-month Treasury bills rose some seven basis points to around 5.30 per cent.

Before the weakness set in, bond dealers were already seeing a lot of resistance from investors to the benchmark long bond rising close to par for a yield of 8.75 per cent.

The Federal Reserve yet again made an early and big effort to add reserves to the banking system with overnight system repurchases. The Fed Funds rate at which banks lend reserves to each other remained higher than the Fed would probably like.

The main influences seem to be a high Treasury cash balance at the Fed and a large volume of maturing repurchase agreements.

The New York Stock Exchange said a seat on the exchange was sold for $625,000, which is $125,000 lower than the previous sale on October 22.

The exchange said the current bid price is $600,000 and the current offer is $725,000.

CANADA

A FALTER in Wall Street's rally checked an advance in Toronto and by midsession the composite index, which had climbed 92.95 in early trading, was a net 32.80 higher at 2,879.30.

Energy issues were broadly higher, with Texaco Canada rising C$½ to C$26, Imperial Oil class A advancing C$½ to C$60 and Gulf Canada Resources adding C$⅞ to C$15⅞. Shell Canada, which announced higher third quarter earnings, climbed C$¾ to C$34½.

In blue chips, Seagram rose C$2¼ to C$68¼ and Canadian Pacific added C$⅜ to C$19⅝.

Mexico suffers further from New York fall-out

MEXICO CITY'S Stock Exchange, the fastest growing in the world this year, saw its 49-stock index crash below 200,000 in early trading yesterday after a further 16.5 per cent had been wiped off share prices on Monday, *writes David Gardner in Mexico.*

The index lost 19.3 per cent in the course of the last week. The market had reached an all-time high of 387,000 on October 5, a rise of over 700 per cent on the year.

Analysts stressed the knock-on effect from Wall Street, but some pointed out that the exchange had been heading for a major correction after the feverish speculation of recent months, particularly in shares in banks and stock brokerages.

Less sanguine observers voiced concern that the recent turmoil could stunt growth in Mexico's emerging capital market, pointing out that many new investors in the stock market were selling up. The number of investors in the small bourse has quadrupled in the past 18 months to reach more than 400,000.

The two major success stories of the last five years of unparalled austerity have been the jump in non-oil exports, mainly to the US, and the breakneck growth of the stock market - precisely the achievements which now appear threatened.

SOUTH AFRICA

DESPITE cautious attempts at a recovery inspired by rebounds in London and Far Eastern stock markets, Johannesburg share prices fell back slightly. The key gold index slipped 53 lower to close at 1,849, a 2 per cent drop.

Among golds, Driefontein edged down R4 to R74, while in trading ex-all.

In generally easier mining financials, Anglo American Corporation fell 50 cents to R71 and Gold Fields of South Africa dipped R1.50 to R74.50.

Meanwhile, the stock exchange said its reduced trading hours of 7:30 am GMT to 13:00

EUROPE

Nervous major bourses stage tentative recovery

FRANKFURT

WEST GERMAN share prices picked up a little yesterday but the underlying tone of the market was still highly nervous and uncertain, *writes Andrew Fisher in Frankfurt.*

The German market has mirrored the sharp downward swings of other main stock markets. Since October 16, the Friday before Wall Street's collapse, the German market has fallen 15.5 per cent, as measured by the mid-session Commerzbank index.

Yesterday, it stood at 1,586.2, up 1 per cent after dropping almost 6 per cent on Monday.

"The bourse is being strongly influenced by psychological factors," said Mr Thomas Neisse-Krabbenhoeft, chief analyst with Degab, the investment research arm of Deutsche Bank. "In Germany and elsewhere, markets are looking for a new valuation basis."

He added that German stock markets were largely influenced by external factors. "The slaughter is not taking place in Germany, but in Japan and the US. But it affects us here."

Neither technical analysis nor basic economic data was currently of any use in establishing where the market was likely to go. "It won't be business as usual yet and it won't be a collapse, but prices will go sideways with slight ups and downs until a new basis is found," said Mr Neisse-Krabbenhoeft.

Selected advances yesterday included Daimler which rose DM35.50 to DM883, Siemens up DM13 to DM518 and Deutsche Bank which gained DM12.50 to DM538.

Showing the resilience of German exporters in the face of the stronger D-Mark, September's trade figures produced a surplus of DM11.5bn ($6.5bn).

AMSTERDAM

AN UPSWING in the Far East and on Wall Street prompted signs of renewed confidence in Amsterdam yesterday and share prices spurted higher across the board in lively trading, *writes Laura Raun in Amsterdam.*

The weighted ANP-CBS index rose 3 per cent to close at 73.9 as investors picked up blue chip internationals at attractively low prices.

Despite the bout of bargain-hunting which buoyed prices, the underlying tone remained hesitant as traders and analysts pondered whether the crisis of confidence is truly over.

"We're just trading from moment to moment," said one broker dealing with institutional investors. "No-one is really sure which way the market is going from here."

Over the past week the Amsterdam bourse has plunged almost 22 per cent. Approximately Fl 50bn ($25bn) in market capitalisation has been lost, leaving the total at around Fl 150bn.

The crash has dealt a mighty blow to jobbing firms and market makers on the bourse as well as on the Amsterdam-based European Options Exchange.

One of Amsterdam's largest *hoekman* (jobbing) firms, Mellegers and van den Elsaker, halted business last week after credit was stopped by the bank which serves jobbers, Kas Associatie.

Mellegers and van den Elsaker's stock exchange membership was immediately revoked but yesterday the firm asked the bourse for a reinstatement. The stock exchange declined to comment.

Six other jobbing firms were reported to be under close surveillance by Kas Associatie to ensure that they continue to meet lending criteria.

PARIS

ENCOURAGED by rises in Tokyo and Hong Kong and a late rally on Wall Street's bright opening, Paris sustained a tentative recovery yesterday, *writes Paul Betts in Paris.*

After rising 4 per cent in early trade, the Paris main indicator eased in mid-session only to pick up again towards the close on Wall Street's opening, ending the day 1.39 per cent higher. The narrower CAC index closed down 1.5 at 318.9. Since the October 19 "black Monday", the index has fallen by 12.5 per cent.

Traders said the market reacted yesterday to external factors, including rises in Japan and Hong Kong and later the good opening at Wall Street.

However, a number of blue chips shed earlier gains. Peugeot, which traded up to FFr1,207 yesterday, ended the day up FFr28 at FFr1,158, while Paribas closed up FFr8 at FFr368, or 2 per cent more than the previous session, although it reached FFr377 at one stage yesterday.

Of the privatised groups, Saint-Gobain also showed a 2 per cent gain, closing FFr9 higher at FFr424.

Trading was busy, but dealers said volume had dropped from last week. Advances outnumbered falls by 125 to 64.

The bond market, which has followed the generally strong trend in other markets, appears to have entered a consolidation phase, losing about one full point a day in the last two sessions after last week's advances. However, dealers said bond market sentiment remained bullish.

BP restrains London's rally

LONDON MADE a determined effort to follow the rallies of other global markets, but was restrained by a day of uncertainty over prospects for the £7.2bn ($12bn) British Petroleum share offer, *writes Terry Byland in London.*

A statement from the Treasury late in the session, which said no decision on the BP issue would be announced yesterday, did nothing to dispel speculation. Dealers keenly awaited reports from the House of Commons where Mr Nigel Lawson, UK Chancellor of the Exchequer, answered questions on the economy.

The market recovery was helped by news of a HK$2bn ($256m) lifeboat for the Hong Kong market and with Wall Street in good form in early dealings, the FT-SE 100 Index closed a net 19.2 higher at 1703.3 - still about 26 per cent down since the market entered its downward spiral last week.

The session started well, with share prices rising sharply as the market saw the first serious buyers after six trading days of falling prices. But the professional market makers lay in wait and the rising tide soon ebbed as they took the opportunity to sell stock to the unwary.

Mr Nigel Lawson: decision time for BP share issue

While traders see signs of a turnaround in some sectors hit hardest by the shake-out, few are in any mood to return to the bull tack.

"The market is more attractive now on its dividend yield of 4.2 per cent than it was on the 3 per cent yields offered just before the downturn," commented Mr John Goldschmidt of Chase Manhattan. "But it's still too early for a reassessment of earnings prospects."

London fund managers remain uncertain whether favourable domestic factors will prove strong enough to sustain the UK market in the face of the setback across the global marketplace - especially if Wall Street is signalling recession.

Confidence in the UK economy remains relatively steady, and was buttressed yesterday by a survey of members of the Confederation of British Industry, which said, "The underlying health of the (UK) economy remains good."

However, even British Government bonds, which have moved up strongly as investors switched out of equities, were upset yesterday by the implications of any move to withdraw the BP share issue.

Zurich makes lonely progress

A SOLID revival in Swiss shares proved the exception across the remainder of Europe, with most bourses slipping further or clinging to their ground.

ZURICH rebounded strongly from Monday's dramatic falls in moderate turnover, taking the all-share index 34.4 higher to 896.2. The bourse waived rules which otherwise led to a share's suspension for price changes exceeding 10 per cent.

Financial service group Adia duly profited with a 14 per cent rise of SFr900 to SFr6,900. Ascom was close behind with a SFr500 jump to SFr5,300. Insurers sprang back.

Foods made headway, with Nestle up SFr300 to SFr8,700 and Jacobs Suchard SFr450 higher at SFr7,800. Engineers

The Key Market Monitors have been dropped from today's edition to accommodate expanded coverage of market movements around the world. Market indices, lists of the most active stocksand London's chief price changes can be found on Page 43.

of selected blue chips and the cash index fell another 93.72 to 4,224.21.

Chemical Solvay bounced BFr500 higher to BFr11,475 and Unerg picked up BFr90 to BFr2,750 in solid utilities. Chemicals and metals were generally easier.

In holdings, Cobepa rose BFr60 against the sector trend to BFr5,060.

MADRID was swept lower by a deluge of selling inspired in part by Monday's decision by bourse authorities to raise to

general index tumbled 13.45 to 241.85.

Utilities alone managed gains. Petrofina said it was likely to postpone its rights issue and slipped 3 percentage points to 146 per cent of nominal market value.

MILAN fell to a year's low, although a late rally pared early losses. The MIB index dipped 0.52 per cent to 767.

Montedison fell L92 to L1,748 and Fiat dipped L105 to L9,795. Benetton continued to plunge, losing L950 to L13,000.

STOCKHOLM firmed marginally, catching a lift from rising London share prices and ignoring a gloomy economic prognosis from the Foreningsbankernas. The Veckans Affarer all-share index inched 0.1 per cent higher to 1,005.5.

OSLO ended mixed in cir-

Roller-coaster brakes in calmer Hong Kong

HONG KONG

DEALERS in Hong Kong braced themselves for a roller-coaster day yesterday after the Hang Seng index crashed 260 points to 1,980 in the first 15 minutes of trade yesterday, *writes David Dodwell in Hong Kong.*

But prices steadied as support operations mounted by banks, the Government and the private sector began to take effect, and the index closed with a net gain of 154, or nearly 7 per cent, at 2,395.

The improvement, coming after Monday's 33 per cent plunge, followed moves by big institutions - including Mr Li Kashing's corporate empire and big banks like the Hongkong Bank - to mop up blue chips and to steady prices.

Also buoying confidence was news that Peking was backing government efforts to support the futures exchange. The Bank of China agreed to join the Hongkong Bank and Standard Chartered Bank in contributing HK$330m (US$42m) to a new HK$1bn contingency fund.

Most blue chips ended with gains of between 5 and 10 per cent in substantial trade of HK$3.57bn for the day. One of the most striking recoveries came from Hongkong Telephone, which had fallen by 38 per cent since returning from a suspension linked to preparations for a merger with Cable and Wireless (Hong Kong). Telephone's shares rallied 21 per cent with a rise of HK$2.20 to HK$12.50.

Hong Kong traders crowd around the market indicator

Trading remained focused on blue chips and among second liners, where there has been little trading to test true values, nominal falls still stretch to 50 per cent and beyond.

A number of factors kept buyers cautious. First there was an awareness that many international fund managers facing redemptions in their home markets are being forced to sell into any signs of strength on the market.

Similarly, institutions which have until recently been overweight on the Hong Kong market have sold steadily as they reduce weightings closer to the 1 per cent which reflects Hong Kong's true share of world stock market capitalisation.

There was also the fear that some buyers might not be able to honour cheques. A number of international brokers have admitted to having a "watch list" of potentially troubled brokers with whom they are currently unwilling to trade.

Wave of buying propels Nikkei into sharp rebound

TOKYO

THE TOKYO STOCK MARKET rebounded in style, swinging dramatically from its third-sharpest fall on Monday to a third-largest single day advance yesterday, *writes Carla Rapoport on Tokyo.*

The Nikkei stock average climbed 632.4 to 22,834.96 on an active volume of over 1bn shares. Most of the buying was by investment trusts and leading stock brokers, with some large financial institutions joining in later in the day.

Investors took heart from Bank of Japan Governor Satoshi Sumita who said he expects the world stock markets to regain their stability soon as the US is now determined to reduce its federal budget deficit.

Mr Sumita told a meeting of the bank's regional managers that the Japanese economy is firmly on the path to recovery and is expected to expand further, bolstered by additional fiscal policy measures.

There was also optimism from Finance Minister Kiichi Miyazawa who said he believes stock prices are nearing stability. He also told a press conference after a regular Cabinet meeting that he does not see falls in stock prices having a negative effect on currencies.

Shortly after these statements, investment trusts began placing small-lot buy orders and the weak opening turned into a rally, *adds Shigeo Nishiwaki of Jiji Press.*

Brokerage house dealers stepped in and the rally gained pace. High technology stocks advanced over a wide front. Hitachi shot up Y110 to Y1,190, NEC soared Y140 to Y1,900 and Matsushita Electric Industrial climbed Y150 to Y2,050.

Large-capitals also attracted buying interest. Nippon Steel returned to the top of the most active with 100.28m shares changing hand and gained Y17 to Y432. Kawasaki Steel advanced Y18 to Y338, while Mitsubishi Heavy Industries, which had plunged on Monday, climbed Y27 to Y625.

Securities houses turned up, with Nomura closing Y110 higher at Y3,560, Daiwa Y200 up at Y2,400 and Yamaichi Y120 up at Y1,750.

On the bond market, dealers bought on expectations that funds would shift from stocks to bonds after the stock plunges in New York and London. The yield on the 5.1 per cent Government bond, due in June 1996, fell to 4.990 per cent, compared with Monday's 5.240 per cent, slipping below 5 per cent for the first time in about a month. But profit-taking and the stock rally pushed down prices later in the session and the yield on the benchmark bond finished at 5.330 per cent.

The Osaka Securities Exchange opened lower, but turned up later on buying of blue chips by investment trusts. The OSE stock average rose 491.32 to 23,133.25 on a volume of 102.43m shares, up 60.52m.

Rohm led the rally, closing Y350 higher at Y4,160. Sanyo Electric Railway chalked up a maximum daily gain of Y200 to Y1,320 on specualtive buying but Chugoku Electrical Construction fell Y120 to Y1,800.

AUSTRALIA

THE SHOCK of Monday's free-fall in Hong Kong hung over the trading floor in Sydney and Monday's decline gathered pace. The All Ordinaries slumped 987 to 1,315.3 or 7 per cent after a 6.7 plunge on Monday. The index has dropped 39 per cent over the past seven trading days.

A firmer bullion price failed to inspire demand for mining stocks as falls of A$1.20 took Australian Consolidated Minerals to A$3.20, Gold Mines of Kalgoorlie to A$5.0, Kidston to A$4.0 and Sons of Gwalia to A$8.0

Elsewhere, BHP was down 10 cents to A$7.30 from an early low of A$6.60 as CSR slipped 20 cents to A$3.05.

SINGAPORE

AFTER A shaky opening, prices turned upwards following better performances in Hong Kong and Tokyo as selective bargain-hunting lifted prices off their lows. A power failure at the stock exchange delayed details of the market position at the close.

Selling by foreign fund managers undermined attempts to stage a late rally but local investors picked up blue chips.

Singapore Airlines gained 20 cents to close at S$9.20. DBS rose 25 cents to S$9.55 but Robinson fell S$2.00 to S$3.00 and Cerebos declined S$1.80 to S$4.20.

Sri Lanka stocks escape storm

SRI LANKA'S small and emerging stock market has been protected from the ravaging storms sweeping larger international exchanges, *writes Mervyn de Silva in Colombo.*

Out on a limb from the global hustle and bustle, it has been preoccupied with domestic turmoil and relatively cushioned because of still limited share ownership.

The majority of investors are still new to the shares game. The Colombo stock exchange was revived only three years ago after almost 20 years of virtual inactivity and volume is still low, with daily turnover rarely exceeding Rs3m ($100,000).

Also, under the watchful eye of the securities commission, set up by Finance Minister Ronnie de Mel, a bolt in either an

the international turmoil, Sri Lankan investors have not only had their hands tied, but have also been unsure of what to do.

For most of last week prices held steady and it was not until Friday that they slipped. The drop was only slightly sharper on Monday as leading companies lost ground. Ceylon Tobacco Company, Chemical Industries and Asian Cotton Mills posted the largest declines, but local brokers attributed this to over-pricing rather than the international fall-out.

The political instability caused by the Tamil separatist insurgency, together with a shortage of companies and share issues, have kept the market inactive. The deployment of Indian peace-keeping troops in the Tamil stronghold of Jaffna calmed the market and had a stabilising influence on prices

The violence in the north has had a profound effect on the economic outlook. "Everything depends," said Mr de Mel, addressing the annual chamber of commerce conference, "on how quickly and effectively we control the violence in the north."

The Government, under pressure from the World Bank and the US, a major donor, is committed to a policy of privatisation, but it is being cautious in order to avoid trade union action. A privatisation unit created by the Ministry of Finance and Planning, is now studying 'sick' state-owned enterprises on a case-by-case basis, primarily selecting those ventures which have been a burden on the budget.

Three enterprises are to be privatised by mid-November: the distilleries corporation, the Ceylon Oxygen Company

SECTION III

FINANCIAL TIMES SURVEY

An uncertain mood is developing in West Germany. The country is less sure about its post-war achievements and whether it can still prosper in a more competitive world. Doubts have risen about the Government's ability to tackle these tensions. **David Marsh** reports

West Germany

CONTENTS

A lack of composure

WEST GERMANY may be western Europe's largest industrialised economy - but it remains *a country of hillsides and* woods.

Across 80 per cent of the territory of the Federal Republic, the view is limited to less than 1,000 metres.

The statistic, much regarded by *military* strategists and makers of battle tanks, goes beyond mere topography. In social, political and economic terms, the West German landscape is becoming increasingly undulating and obscure.

In many ways, the Federal Republic has a justifiable model image, but doubts are rising that, unless the West Germans show more willingness to adapt to the challenges of a changing world, the model may not be durable.

The country has risen from the post-war ruins to become one of the most prosperous and smoothly-run of nations.

The federal system allows a degree of electoral participation in political affairs which would be unthinkable in the older, centralised democracies.

West German industry has shown impressive ability progressively to internationalise its business and ride out fluctuations in the dollar/D-Mark rate.

This applies both to the big export-oriented corporations in cars, chemicals and engineer*ing and to the many dynamic* small and medium companies which provide one of the country's strengths. Although it is debatable whether the Federal Republic knows how best to use it, its political voice internationally is undoubtedly stronger than a decade ago.

Yet, for all these advantages, West Germany is facing up to the future with distinct lack of composure. Characteristically, it is in two minds, looking both ways at once.

The country is unsure about the *fundamental* value of its hard-won economic achievements and comforts - and also worried that, in a harder and more competitive environment, at least some of them may in future have to be given up.

If *Ausstieg* (exit), denoting the campaign to abandon nuclear energy, was the word of 1986, then surely the dominant expression of 1987, applied as much to internal politics as to the chimerical debate about German reunification, has been the adjective *zwiespaeltig*, denoting a state of ambivalence or schism.

Questions on how West German society will cope with built-in problems, ranging from pressures on the pension system caused by the declining birth rate to the ecological consequences of industrialisation, are coming to the fore.

The business and financial community, natural supporters of conservative governments, has been expressing increasing doubts about the ability of Chancellor Kohl's centre-Right coalition to tackle the country's difficulties.

The criticisms apply especially to the Government's inability to cut subsidies in areas facing structural change such as agriculture, steel and coal. The coalition has also been hesitant in freeing resources for growth by opening up to more competition other protected parts of the economy such as telecommunications.

The West German socio-economic system is built on consensus between unions, employers and the government, steered politically by an elaborate collection of federally-applied checks and balances. The system proved its worth during the post-war boom decades, but now it is looking more like an impediment to growth.

Industrialists' doubts have been exacerbated by the decline in the dollar which hit exporters last year. This is one of the reasons for this year's ebbing of capital investment spending - which is itself a key factor behind the country's currently disappointing economic performance.

Because of the uncomfortable facts of history and geography, West Germans are for ever being reminded that life for them is slightly more fraught with anxieties, slightly less easy and self-assured, than for other peoples in western Europe.

Two examples illustrate this. The new thawing between the superpowers, likely to be consummated this autumn with an accord to eliminate medium-range nuclear missiles, is not just providing an opportunity for celebration in West Germany.

Purely on the basis of geography, the prospective accord will theoretically increase West Germany's exposure to the shorter range Soviet nuclear weapons which are left, as well as its superior conventional forces. Much of the spring and summer has been taken up by squabbling within the coalition about whether the agreement might end up weakening rather than bolstering West German security.

The other example comes from the sad spectacle surrounding the Schleswig Holstein 'dirty tricks' scandal. Unprecedented in the 38 year existence of the Federal Republic, the affair led to the mysterious death earlier this month of Mr Uwe Barschel, the former Schleswig Holstein state premier.

Because of the heritage of Nazism, West Germans have tended to judge their politicians by higher standards of morality than in other European countries. Trust in politicians has now been progressively eroded.

The most visible sign of detente across the East-West divide has been the flood of visitors from East Germany trooping across on temporary trips to the West during the last 12 months.

The most notable was Mr Erich Honecker, the East German leader, whose five-day journey last month has opened a new era in the tortured inter-German relationship.

On one level, the travellers from the East discover a land which amounts to a mammoth national department store crammed with shiny cars, modern buildings and video games - the glittering wares of capitalism.

On the other hand, in spite of five years of gradual economic upturn, unemployment remains solidly stuck at well above 2m.

The deterioration in the unemployment rate compared with both the first and the second oil shocks is bigger than in most other countries. And the current longer term economic growth rate of around 2 per cent is now firmly below the OECD average.

Mr Kohl, confirmed in office for another four years in last January's elections, albeit with a sharply lower majority, has little to worry about, at least for the moment, from the Opposition Social Democratic Party (SPD).

Although showing fresh zest under its new chairman, Mr Hans-Jochen Vogel, the SPD still has some way to go to reform itself sufficiently to be a serious alternative to the Christian Democratic Union (CDU).

Because of the elimination, either by accident or design, of rivals within his party, Mr Kohl has no real challenger as Chancellor and CDU chairman.

Otherwise, Mr Kohl's shortcomings have been cruelly exposed this year. His emphasis on mastering the tactical side of politics has started to hint at a fundamental lack of political vision.

Tensions over the economy, defence and law and order have risen particularly between the Free Democrats and Mr Franz Josef Strauss's Christian Social Union. But they have also involved the Christian Democrats, themselves split between factions of the Right and Left.

The coalition has, it is true, at last reached agreement on financing the DM 39bn tax reform package for 1990 conceived as a major plank in its overall strategy for growth. Cutting taxes and stimulating the economy represent part of West Germany's international obligations to reduce its current account surplus and take the strain off the dollar.

Mr Gerhard Stoltenberg the *Finance Minister, still faces* a battle with the Bundesrat (federal council), representing the Laender, to secure passage of the 1990 tax cuts.

As chairman of the Schleswig Holstein Christian Democrats, Mr Stoltenberg is, however, also deeply involved in the northern state's tortured politics. He had to fly back early from the IMF meeting last month to try to resolve the Barschel crisis.

West Germany faces a further *test of international responsi*bility in the first six months of 1988 when it takes over the EC presidency. On present form, the chances that Bonn will be able to show much-needed European leadership do not appear high.

Why the economy is making slower progress

Trouble on the line

THE WEST German economic engine is chugging up a gradient. It is still developing a powerful head of steam, the seats are as well-upholstered as ever and the passengers on the whole are enjoying the ride. But the train has slipped behind timetable and doubts are growing whether it will reach its long-term destination without some form of derailment.

After three post-war decades in which the West German economy was hailed as a model for the rest of the world, the country's image as an economic paradigm has, quite suddenly, during the last year or so started to tarnish.

The economy has slowed down this year after four years of moderate expansion, with growth for the second year running likely to fall short of target. Gross nation product in real terms is likely to rise by only about 1.5 per cent this year, well short of the 2.5 per cent forecast by the Government in January.

At the same time, the emphasis of economic policy-making has shifted away from future opportunities for expansion to talk of long-term growth impediments. These range from the country's falling population and predictions of growing budgetary and social security deficits to West Germany's strict environmental controls and heavily-regulated goods and labour markets.

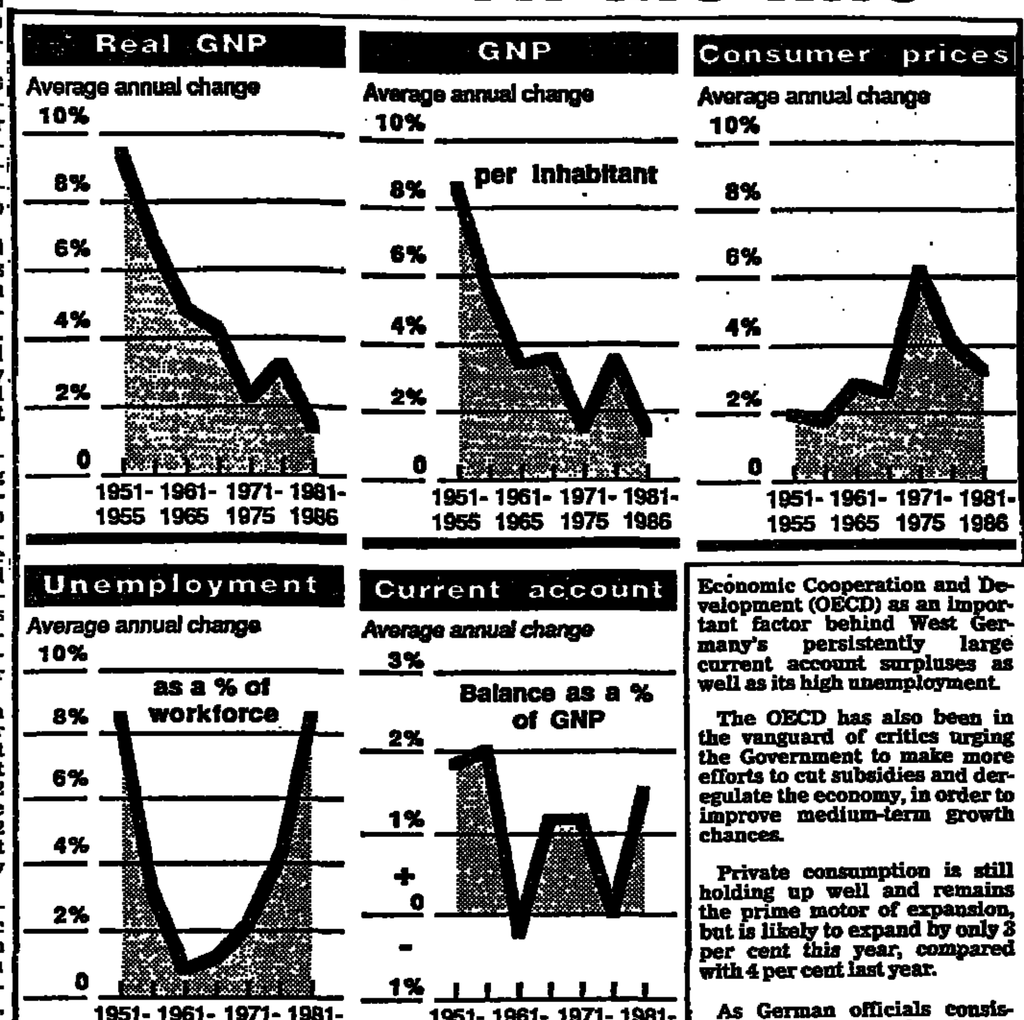
External shocks arising from a further collapse in the dollar still cannot be ruled out. But Bonn forecasts that growth next year will continue at around a 2 to 2.5 per cent rate. After the bitter memories of the 1981-82 recession, it claims that at least the era of "stop and go" has now been overcome.

But this does not dampen concern that the Federal Republic has lost its ability to maintain fast enough growth to make a permanent dent in unemployment, now stuck around 2.2m, and erode its huge current account surplus.

The surplus this year may decline by only around DM10bn or so from the 1986 level of DM80bn - and remains, along with, of course, its numerically-higher counterparts in the US and Japan, one of the factors storing up potential currency instability for the future.

Senior officials both in Bonn and at the constitutionally-independent Bundesbank are keenly aware, and disappointed, that the country has fallen well short of the "magic quadrangle" of targets set down in the 1962 Stability and Growth Law - steady growth, low unemployment, current account equilibrium and low inflation.

The only indicator performing satisfactorily is the rate of price increases. This turned negative last year for the first time since 1953, above all because of the fall in the oil price and the rise in the D-Mark, and is likely to amount to only around 1 per cent in 1987.



The economy seems to have picked up during the late summer with orders received by manufacturing industry showing a large and welcome spurt in August.

The propitious low inflation background last year was compounded by further improvement in corporate finances, relative restraint on the wages front and a continuation of the Government's efforts at budgetary consolidation. At one stage early last year, real growth of 4 per cent appeared within reach.

But hopes were dashed that the favourable conditions would work through to improving materially the growth and investment climate. The 2.5 per cent actually recorded for 1986 was a disappointment. And now, only 18 months after the growth optimism of spring 1986, the outlook appears a lot more difficult.

The Bundesbank has maintained a far more optimistic line on the economy than many independent economic forecasters over the past year or so. But senior officials at the central bank now confess themselves at a loss to understand why the level investment this year has fallen so short of forecasts at the end of last year.

Overall investment spending (including by the still hard-hit construction industry) this year will probably grow by no more than 2 per cent. And weak investment spending is now blamed by the Organisation for Economic Cooperation and Development (OECD) as an important factor behind West Germany's persistently large current account surpluses as well as its high unemployment.

The OECD has also been in the vanguard of critics urging the Government to make more efforts to cut subsidies and deregulate the economy, in order to improve medium-term growth chances.

Private consumption is still holding up well and remains the prime motor of expansion, but is likely to expand by only 3 per cent this year, compared with 4 per cent last year.

As German officials consistently point out, in a heavily export-oriented economy where foreign sales account for about one-third of GNP, it is highly difficult to organise a cut in export surpluses without this feeding through negatively to the entire economy.

Some external economic adjustment has clearly taken place. In real terms, the trade surplus has been declining gradually since mid-1985. Import volumes have grown fast both this year and last. They were up by nearly 6 per cent during the summer compared with the same period of 1986. Exports, on the other hand, have been stagnating in real terms.

But in nominal terms - the balance which the foreign exchange markets have to finance - the surplus has been little changed because of the effect of the rapid weakening of import prices. The seasonally adjusted trade surplus over the past five quarters up to June this year fluctuated narrowly between DM28bn and DM31bn a quarter.

The main impact on the domestic economy this year has been a weakening of confidence as a result of last year's setback in exports; stemming from the D-Mark's appreciation. This is despite exporters' ability to live fairly well with the current exchange rate pattern.

Last year's stagnation in exports seems to have been due as much to a fall in sales to Opec states as to any sizeable loss of German competitiveness. But in recent months, export orders received by West German manufacturing industry have been recovering. Indeed, from the point of view of efforts to reduce the current account surplus, they have shown a worryingly stronger trend than domestic orders.

Both monetary and budgetary policies are giving, if anything, a modest stimulus to the economy at the moment. The Bundesbank's money stock growth target this year will be overshot again in 1987 for the second year running. The overall public sector budget deficit (central, regional and local government) looks likely to grow by about DM10bn this year from last year's DM43bn.

But these examples of overshooting have reflected consequences of sluggish economic growth - on the monetary side, investors' desire for liquidity, in the budget, stagnating tax revenues - rather than policy action to correct it.

The Government earlier this month showed at long last signs of policy cohesion. It agreed surprisingly rapidly a package of cuts in tax allowances needed to accompany the tax reform plans of Mr Gerhard Stoltenberg, the Finance Minister, planned to be enacted in 1990. Following an earlier-planned DM14bn tax cut in 1988, the net DM20bn worth of cuts in 1990 should give the economy a necessary push in the direction of more growth.

However, the tax cut plans will lead, at least temporarily, to higher public sector borrowing. Mr Stoltenberg appears to have succeeded for the moment in quelling opposition among the Laender to higher deficits in coming years. But the last word has not yet been spoken on the overall financing of the tax reform. The Government may still have to resort to increasing taxes on consumers to help balance its books in 1990.

David Marsh

Relations with the European Community

Change in the wind

MR HANS-DIETRICH Genscher, the veteran West German Foreign Minister, has been multiplying calls for greater policy cohesiveness in the European Community over the last few weeks

The reason is both simple and complicated. West Germany, on the front-line along the East-West geo-political divide, stands directly downwind from the new breezes of co-operation and harmony wafting across from Mr Mikhail Gorbachev's Soviet Union.

At the same time, in a remarkable ebbing of 30 years of West German enthusiasm for the Community cause, the Federal Republic is going through a period of disillusionment with the EC.

Patience with Brussels is wearing thin because the costs and the consequences of the EC's present financial crisis, whether in the form of higher budgetary payments from Bonn or a cut in price support for farmers, are seen as impinging unfairly on West Germany.

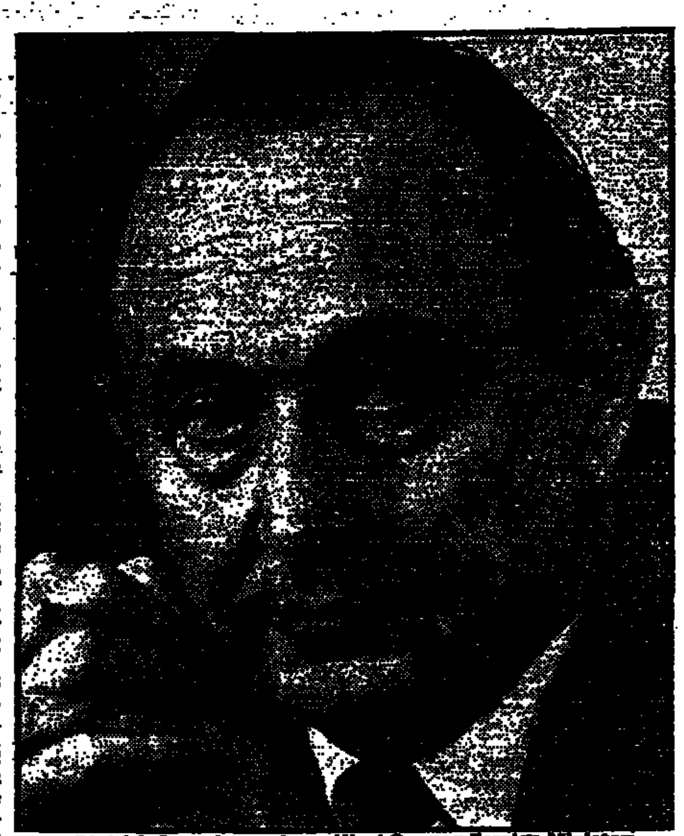
Mr Genscher during his 13 years as Foreign Minister has proved he can spot, earlier than most, changes in the political wind. He believes that the EC must take far more active steps towards political and economic convergence in order to balance the overtures from Moscow. The western flank must be secured to guard against the danger that West Germany will come under the eastwards pull periodically feared by its European allies, particularly France.

With the existence of the Community providing one of the basic reasons for the success of the country's export-oriented economy since the war, very few West Germans would want to throw EC adhesion into doubt.

Membership has involved a price. West Germany is, and will continue to be, the EC's biggest paymaster. But the political and economic benefit of belonging to a united Europe has always been thought a more than adequate compensation.

Now, however, there is less certainty. Irrational it may be, but the mood is growing that the West Germans stand to lose more than they gain from the southwards shift in the Community's centre of gravity and the Commission's bid to cut farm subsidies and harmonise competition rules throughout the EC.

And this is occurring while movement on the eastern flank is opening up new vistas - most visibly, of course, in the wake of Mr Erich Honecker's trip to the Federal Republic in September, with East Germany.



Hans-Dietrich Genscher, veteran West German Foreign Minister: the EC must take far more active steps towards political and economic convergence to balance Moscow's overtures

All this explains why Mr Genscher has been appealing for a strengthening of the Euopean Monetary System, a stronger joint European space programme and moves to underpin the planned creation of a single European market by 1992.

Mr Genscher hopes to set the tone for Bonn's six-month spell of the EC presidency in the first six months of 1988.

Unfortunately, a great deal stands in the way of these Genscherite good intentions. Although the Bundesbank made concessions in September by agreeing, in effect, to easier finance for EMS intervention to support weak currencies, it has not been proven whether the system has emerged stronger from these moves. Monetary union, the ultimate step favoured by Mr Genscher, is not on the Bundesbank's list of priorities.

West Germany this autumn has been calling for a delay, for both technical and financial reasons, in building the French-led Hermes mini-shuttle. This is a symbol of Europe's joint space efforts, but is just too expensive for Mr Gerhard Stoltenberg, the Finance Minister.

And as for the internal EC market, a powerful coalition of West German industrial and trade union interests has voiced opposition to opening up the borders to genuine EC competition in areas ranging from insurance and telecommunications services to electricity supplies and road haulage.

Mr Genscher is clearly in no doubt about the size of the New Year challenge - his officials are mournfully predicting that this could be the most difficult presidency since the signing of the Treaty of Rome.

David Marsh

WEST GERMANY 3

Haig Simonian, in Frankfurt, looks at financial developments

A year of rapid change for the banks

IT HAS been an innovative year for West Germany's banks. While foreign financial institutions have continued to pour into Frankfurt, now the country's undisputed financial capital, in order to participate in the wholesale money and securities markets, the domestic banking scene has also been changing rapidly.

Earlier this month,it changes more rapidly than many expected, or liked.The Federal Government's announcement that it would impose a 10 per cent withholding tax on savings and investments from 1989, a shock which is still being digested. The events have come at a time when many banks are grappling with the idea of lower profits for 1987 compared with their records last year due to the lacklustre stock market and, in places, weaker credit demand.

However, the outlook for profits is now a good deal less bleak than it seemed earlier this year. Earnings will almost certainly be down, but the decline is likely to be less sharp than first forecast. Now there is a hint of uncertainty about profits after 1989, as banks costs are likely to go up somewhat , as a result of the tax and some commission earnings may also be under pressure.

Deutsche Bank, the country's biggest financial institution, has been the most active innovator this year, confounding those who still wrongly view it as an ultra-conservative and slow-moving giant.

In March, it set up a new mortgage savings subsidiary for house-buyers. Getting into the small savings business and offering eventual property purchasers certain financial perks were widely seen as an important expansion of the bank's interests in retail financial services.

Then in August, the bank surprised many by buying a controlling stake in Roland Berger & Partner, the country's leading home-grown management consultancy group.

According to Mr Alfred Herrhausen, Deutsche Bank's co-speaker (chief executive), consultancy will become the bank's third main business activity alongside commercial and investment banking.

More of the bank's small business customers at home are asking for sophisticated advice, he said.

But this year's most novel financial development, foreshadowed in 1986, has come not from a bank, but from the Aachener und Muenchener (A&M), Germany's fifth largest insurance company. In January, the group bought a DM1.9bn controlling stake in the Bank fuer Gemeinwirtschaft - Germany's 12th biggest bank - from the country's trade union movement.

The deal was followed by a DM1.34bn rights issue by the A&M in March - in itself one of the largest capital-raising exercises in the country's history.

The jury is still out on the wisdom of the transaction. Some are sceptical about the much-touted synergy behind the marriage as they stress the differences between insurance and banking mentalities and the difficulties of bringing such disparate groups together.

However, the market will soon be able to judge for itself, as the first details of the companies' joint plans should be out before the end of the year. At least Mr Helmut Gies, the chief executive of the A&M, is understandably confident. "There must be music in it," he says.

Other banks ripe for change, but so far short of action, are the country's savings banks. Local savings banks are grouped together in 11 Landesbanken, (state banks) which are usually owned jointly by regional savings organisations and state governments.

Some Landesbanken, like the Duesseldorf-based Westdeutsche Landesbank, which is Germany's third biggest bank, are power-houses in their own right. But smaller counterparts can no longer provide the full range of international services that corporate clients require.

Discussions about mergers between smaller Landesbanken are nothing new, however, and so far there has been more talk than action. A merger in Baden Wuerttemberg, which, unusually, has two umbrella organisations for its savings banks, would be a logical first step.

The two banks concerned, the Landesbank Stuttgart and the Badische Kommunale Landesbank, admit they have already held merger talks, but nothing definite has been decided.

Mention Frankfurt and the securities markets, and the focus often switches to the foreign investment banks which have been colonising Germany's "Mainhattan." While there is a continuing stream of new arrivals, some financial services groups like Merrill Lynch and Shearson Lehman, which are already well established in Germany though their US equity sales operations, are now looking to expand into investment banking and the domestic securities business.

At least there have been some further small relaxations in the Bundesbank's capital markets rules this year. The notification period for new DM Eurobonds has been cut to 48 hours from the 14 days required previously - an interval that used to play havoc with bond issues driven by currency swaps. These often had to be withdrawn when underlying exchange rates moved adversely in the interim, making the deals unattractive.

Then on October 1, Japanese investment banks finally received permission to lead manage DM Eurobonds. Two deals were launched that day, as expected, and some German bankers are already wondering whether the Japanese may in time flood the market. The fear is probably exaggerated, but it is too early to tell.

Important news for domestic investors this year was the creation on May 1 of the "geregelte Market," Germany's new secondary stock market, designed to make going public easier for smaller companies. Several have already taken the plunge, while others have transferred their shares from the over-the-counter market to the new listing.

Much further down the line is Goffex, the planned German Options and Financial Futures Exchange, which bankers hope will open in early 1989. The timing depends very much on Germany's politicians, however, who must approve essential legislative changes for futures and options to get off the ground.

But the focus is very much on Bonn for more pressing legislative changes. The abolition of the Boersenumsatzsteuer, Germany's stock exchange turnover tax, which many expected would be dropped soon after the federal elections in January,was bankers' first priority. Now it is the planned withholding tax which has them up in arms.

Profile: Wolfgang Roeller

Bull terrier in business

Mr Wolfgang Roeller: lobbying for Options and Futures Exchange

"PUGNACIOUS," "combative" and "tough" are just three of the words that have been used to describe Mr Wolfgang Roeller, the 58-year-old speaker (chief executive) of Dresdner, West Germany's second biggest bank, in the almost three years he has been in the top job.

Judging by the fierce way he raps his fingers on the table to emphasise a particularly important point, Mr Roeller may well stimulate less generous comments too. Few would probably want to get on the wrong side of Mr Roeller's temper.

"He's like a bull terrier," says one colleague. It is meant entirely as a compliment. After the assassination of Mr Juergen Ponto, its young chief executive in 1977 and the forced resignation of Mr Hans Friderichs from the top post almost eight years later, Dresdner undoubtedly needed a dynamo to regenerate morale and close the widening gap with the Deutsche Bank, Germany's biggest financial institution.

Few now doubt that it got it in Mr Roeller. The fact that earlier this year he also took over the presidency of the Federal Association of German Banks - effectively making him a spokesman for the German private banking industry as a whole - is a further reflection of his considerable energy.

But the new job may not be entirely disagreeable to Mr Roeller. Certain subjects which are currently topical at home, like stock exchange reform and the proposed new German futures and options exchange, are right up his street as an experienced securities man. And Germany's proposed new withholding tax on savings and investments, unexpectedly announced earlier this month, may well leave him fuming.

Such pre-occupations are appriorate at Dresdner Bank, which has a long reputation as a skilled trader of securities and money market instruments.

So it is little wonder that the securities side features prominently in Mr Roeller's plans for the bank. Unlike Deutsche Bank, Dresdner has shown no special ambitions to become a pan-European commercial bank nor to develop a high-flying management and financial consultancy side. Rather, its main thrust around the world at present, appears to be in securities, notably in the US.

ABD Securities Corporation, its US investment banking operation, is particularly close to Mr Roeller's heart. "German American Securities Corporation (ABD's predecessor) was set up in 1968 long before international securities trading became such a talking point everwhere," he says with obvious pride.

"And Theo Schmidt-Scheuber the president of ABD was the first foreign banker to be made president of a US bourse -in Boston. Think what that meant for us," he adds. "Imagine the Frankfurt Stock Exchange chosing a foreign banker to be its chairman."

In the Far East, Dresdner is already licensed to trade securities in Tokyo. "The first results are already positive in terms of the bottom line," says Mr Roeller. The bank is also attacking the Tokyo market through ABD International, the overseas portfolio management arm of its US operations.

Mr Roeller emphasises the importance of breaking into Japan to help recycle its balance of payments surpluses back into European securities. But even the Tokyo market - much in the news in Germany recently after the last German bank waiting for a securities licence received it in September - seems to take second place to the US for Mr Roeller, and particularly to the Big Board price of the New York Stock Exchange.

He is giving nothing away but developing the bank's New York presence particularly in equities, could spell some difficulties with the Fed on account of the tattered but still valid Glass-Steagall Act

"Dresdner is aware of the barriers, but solutions may eventually become possible," he says. Whether that will be through changes in US law or innovative thinking by the bank is not spelled out.

Meanwhile his position as a spokesman for German finance, through the domestic banks association, means Mr Roeller has been playing a major role in the lobbying for Goffex - the planned German Options and Financial Futures Exchange. - which the big banks want to set up by early 1989.

Mr Roeller sees futures and options as "an essential part of our Stock Exchange reform." Unlike some financial innovations, "the options business really has got a future," he says.

Mr Roeller is confident Germany will get its new exchange, even if passing the necessary legislation takes a little longer than some would like. "We now have two-three years before us to deal with these questions," he says.

Understandably he is reluctant to consider how the banks might react if the discussions about Goffex get bogged down

But a further drift of securities trading - which is already encouraged to go abroad because of Germany's stock exchange turnover tax,and which may do so more quickly because of the planned withholding tax - looks strongly on the cards. It is one of Mr Roeller's jobs to try and encourage the business to stay at home.

Haig Simonian

Profile: Wolfgang Kartte

The watchdog

Mr Wolfgang Kartte, Federal Cartel Office president

WOLFGANG KARTTE, the veteran president of the Federal Cartel Office, has his headquarters, somewhat appropriately, in the battered-looking Berlin building which formerly housed the Air Transport Ministry of the Third Reich.

A burly jovial 60 year old, Mr Kartte is in charge of policing West Germany's anti-trust laws which represent a cornerstone of the country's post-war market-oriented economic system.

A strengthened trend towards concentration in industry in recent years has put him constantly on his guard against atmospheric turbulence.

Kartte is currently at the centre of controversy whether the Government should push through a further stiffening of the 1957 Competition Law. This could involve steps to limit concentration in the retail sector - where a number of big mergers have recently taken place - as well as to restrain large mergers of the type which has joined together Daimler Benz, AEG

The government is divided over whether the law needs to be changed, with Christian Democrats calling for a revision to protect above all small retailers and the Free Democrats insisting that the status quo be maintained.

Kartte is keeping a low profile on the matter as long as the coalition has not made up his mind. But he says he sees "problem spots" in the current anti-trust legislation.

These include not only the retail sector but also the question of "banks and their power." Here there are three key points, he says.

West Germany's universal bank system gives the banks substantial industrial participations, enables them to send directors to sit on the supervisory boards of competing companies and allows them to represent large numbers of shareholders through proxy voting rights at annual meetings.

"I don't say that the banks are not in competition. I simply say that we need to keep a watchful eye on these features which give the banks special influence, if not power." He adds, in a deliberate understatement, that the problem has been accentuated by changes in the competitive position among banks themselves - meaning that the dominant Deutsche Bank is breaking still further away from the other Big Three.

Overall, Kartte says the process of concentration in the Federal Republic has reflected the growth and progressive internationalisation of companies' markets. This has brought more advantages than drawbacks.

"The competitive stimulus which we have received as a result of opening of markets is more important than the restrictions on competitiveness arising from mergers."

But he points out that the growing size of companies could open the way for misuse of corporate power. "We don't know who is governing whom - the company the government, or the government the company."

"Elephant marriages" are plainly a cause for concern. "Daimler Benz and AEG - that was of course very spectacular....If there are further cases like that, I could imagine that conflicts of interest would come about." He adds, "You can have doubts about whether such large companies are really needed. Our machine tools sector is very competitive, and made up of smaller companies."

On the idea being pressed by the Bonn government for Daimler to take over control of the MBB aerospace company, Kartte says, on plain economic grounds, that that the proposal is ill-conceived. "It surely cannot be that we are so idiotic as to consider such a possibility." Digesting MBB would represent too big a bite even for Daimler, he says - pointing out that Werner Breitschwerdt, the former chairman of Daimler who has just been removed, said it would take the company 20 years just to absorb AEG.

David Marsh

Andrew Fisher contrasts the fortunes of two industrial towns

GERMAN INDUSTRY is located in the most unlikely places.

As the accompanying town profiles show, the north-south gap, which is far less marked and less socially debilitating than in Britain, can occasionally be stood on its head.

Though it is true that the north contains the problem industries like steel and shipbuilding, while the south has a large share of high-technology businesses, German industry is so regionally diversified that there is no shortage of examples to counter the cliche.

Generally, this is a strength, with jobs and investment widely distributed throughout the country. The big car plants, for instance, are spread around the north, centre and south from Wolfsburg, the characterless Volkswagen town near the East German border, down to Munich, the lively capital of Bavaria in the south, where BMW is based.

The small and medium-sized businesses, often family-owned, which are so crucial to the economy can be found all over Germany. Many are world leaders in their sectors, with an innovative spirit and reputation for quality which is strongly anchored to their local traditions.

Thus the north-south gap is not always apparent. The choice of prosperous Guetersloh in the north and crisis-hit Sulzbach-Rosenberg in the south as examples is admittedly somewhat artificial. Still, it does show that the south has its black spots and that the north is not all smoking chimneys and threatened jobs.

Guetersloh is actually one of the few towns of its size in Germany which has been growing. Sulzbach-Rosenberg's population, on the other hand, has been falling and is likely to dwindle further. The jobless rate in the latter town is well over double that of Guetersloh.

The decentralised pattern of German industry reflects both its recent and remoter history. Germany has always consisted of regional states, some very small. But the country's division after World War Two left it without a dominant capital city. With Berlin split into a western capitalist enclave and the capital of communist East Germany, cosy, provincial Bonn fulfils only the role of West Germany's political and administrative centre.

It is cities like Hamburg, Munich, Duesseldorf, Cologne, Frankfurt and Stuttgart, which determine the pulse rate of German business and cultural life. But none is dominant in the way that, say, Paris, London, New York, or Tokyo are.

The geographical variety of Germany's economic scene can be both stimulating and exhausting. From Frankfurt, the financial centre, Munich and Hamburg are only a short flight away. But to reach Guetersloh or Sulzbach-Rosenberg takes a good three hours of autobahn driving.

Sulzbach - Rosenberg

Hit by the decline of steel

"SAVE MAXHUETTE," says the yellow and black poster in the window of a high street clothes shop. "Sulzbach-Rosenberg must live." The south-east German town and its steelworks are shown perched on a splitting rock. A rope binds the shaky structure together.

This stark message by local trade unions highlights the plight of a town whose largest employer - Eisenwerk Gesellschaft Maximilianshuette, founded in 1853 - is threatened with collapse or a sharp cut in size. It went into receivership in April with debts of over DM800m.

Steam and smoke still rise from Sulzbach-Rosenberg's economic engine, the Maxhuette steelworks, but for how much longer? The company collapsed into receivership in April, threatening the loss of 3,500 steel jobs and unemployment of 40 per cent.

At stake are some 3,500 steel jobs. Already, unemployment in the town is nearly 20 per cent, well over twice the national average. Maxhuette's disappearance would lift this to around 40 per cent. Rescue schemes are being discussed, though the Bavarian state government reckons only around 1,000 jobs can be salvaged. Jobst Wellensiek, the receiver, hopes it can be nearer 2,000.

It is not the sort of harsh dilemma normally associated with Bavaria, home of prosperous companies like Siemens and BMW. But Sulzbach-Rosenberg lies well away from the high-technology region centred on the city of Munich to the south. Maxhuette is virtually all the town has. The next biggest employer is the hospital.

Since the receivership, the area has lived in uncertainty. Two years ago, the company, in which Ruhr-based Kloeckner-Werke owned 49 per cent, employed nearly 6,000 people. Early this year, the figure was still above 4,500. "If it comes to the worst," warns Mr Heinz Jaeger, deputy head of the Maxhuette works council, "the only people left here will be pensioners or local administrators."

It is a gloomy prospect, especially for the young. Mr Jaeger calls it "a modern form of being driven from the homeland," a reference to Germans forced from their homes at the end of World War Two in what is now the Eastern bloc. Mr Gerd Geismann, chief administrator in the town of nearly 18,000 people uses the same analogy. "If we don't succeed in keeping youth through new jobs from companies locating here, then it will be over anyway. The Middle-Upper Palatinate (the area of Bavaria where the town lies) will break up and bleed to death."

Problems in the steel industry are hardly new in Germany, where 35,000 jobs are set to disappear in the next two years.

But as a virtual one company town, Sulzbach-Rosenberg stands to lose especially heavily. Situated well away from the traditional steel and heavy industrial areas of the Ruhr or Saarland to the west, it is trying hard to attract new jobs, so far without success. "The outlook is dismal, but not hopeless," says Mr Geismann, who reckons a full restructuring of the local employment scene could take over 30 years.

The grimy smoking Maxhuette works looks awesomely incongruous amid the prettily wooded hills of north-eastern Bavaria between Nuremberg and the Czech border. Viewed from the modest height of the historically attractive Sulzbach end of town, the steelworks down in the Rosenberg section seems even more out of place.

But without it, Sulzbach-Rosenberg would face a bleak future. Mr Jaeger, who joined Maxhuette 28 years ago, aged 14, is not optimistic about the chances of success of the various rescue concepts. But the IG Metall union and the works council have to strive for its survival. "If we don't succeed, the area will rightly be called the poor house of this republic," he adds sombrely.

State money is being spent in the region, with DM540m earmarked for the next five years. In the town itself, DM200m is being invested in new barracks for riot police. Another DM10m is going on an underground car park and refurbishment of Sulzbach's main square.

Both projects were decided before Maxhuette's receivership. For Mr Geismann, it is now a matter of urgency to find new jobs. The town has cheap land and fiscal incentives for new investment.

However, Maxhuette's struggle has given Sulzbach-Rosenberg an image problem. Mr Geismann hopes this can be overcome, but stresses that for years little was done to offset the one-industry nature of Sulzbach-Rosenberg. Administrative jobs disappeared through local authority changes, and tourism in the picturesque area has never been really promoted.

"We make up only 2 per cent of the Bavarian population," says Mr Geismann resignedly. One hope is that Maxhuette's training centre, providing job skills to nearly 200 young people, will at least remain, whatever happens to the steel works.

For Maxhuette's workers, whose average age is 44 - many have been at least 25 years there - the future does not look cheerful, whether a truncated steelworks survives or new industries are attracted. What will people do if the worst happens? "You have to try and push it from your mind," says Mr Jaeger. "If you start thinking about it, you've already given up."

Guetersloh

Benefits of Diversity

WHITNEY HOUSTON, the chart-topping US singer, has not yet been persuaded to come to Guetersloh, says Mr Mark Woessner, chairman of the Bertelsmann media group, somewhat wistfully.

Why should she? After all, this small, neat and tidy northern town of 83,000 inhabitants is hardly a world entertainment and cultural centre. It is charming, friendly, and prosperous, but somewhat off the beaten track for the big stars.

Yet Guetersloh is the home of what is now the largest international media group, since Bertelsmann snapped up RCA music and Doubleday publishing in the US. The owner of Arista records, Bertelsmann is Whitney Houston's ultimate employer.

At first sight, it seems odd that Guetersloh should be the base for a many-sided company like Bertelsmann. Not that the publishing and music group is the only well-known concern there. Miele, the top-quality white goods manufacturer is also in Guetersloh, turning out pricey equipment that lasts for decades. So is Vossen, the towelling goods company.

Other Guetersloh products include furniture, ropes and cable, and typically German foods such as ham, sausages, and pumpernickel bread. Steinhaeger schnapps is made nearby. And the town has a large Nato air base.

Bertelsmann has been in the area for just over 150 years, and Miele for nearly 90. Both are still privately-owned and examples of successfully innovative family companies which have spread widely into world markets while keeping their provincial roots. Most of Bertelsmann's shares are in the hands of the Mohn family. The Miele and Zinkann families own Miele, employing 3,500 people in Guetersloh out of a total of 12,300.

Despite their world-wide sales and activities, it seems unthinkable that either would leave Guetersloh. Tradition and local involvement are important for German companies. Yet it cannot be easy to carry on international business in a town with no major airport nearby and with motorway and train links that favour travellers between east and west rather than north and south.

In Bertelsmann's case, the expansion of the past year or so, which has lifted turnover to DM 10bn, has put Guetersloh more clearly on the map. It employs some 6,500 people there out of its world total of 42,000. As well as its main administration, the group has a big printing works, a distribution centre capable of storing 70m books, and a record and compact disc factory in the town.

Bertelsmann, a strong believer in decentralised management, uses its own jet to ferry executives to Concorde flights in Paris for quick trips to the US. Mr Woessner admits that being based in a small town has its problems, though the bosses of its main music, book and magazine interests are in the big cities.

"All the market and product-sensitive work is done in the world's capitals," explains Mr Woessner. With its relative calm and lack of too many distractions, "Guetersloh is a nodal point, a Mecca." Here, he adds, "there is a philosophy and corporate understanding that people sense and take away with them."

With good hotels, restaurants, bars, shops, and leisure facilities, Guetersloh is a lively and attractive place to live. For Mr Woessner, it provides an antidote to the bustle and frustrations of bigger places. "When you're in New York, waiting for a lift in a skyscraper, or stuck in traffic, and you have a problem getting from one appointment to another, then you can see the advantages of Guetersloh."

Also, there is no compulsion to be swept up in an endless round of social and business functions. "It saves a lot of time," he says. "You can concentrate on the most important aspects of the business."

Surrounded by trees and fields, with the occasional cow visible from the windows, Bertelsmann's headquarters certainly exudes a calmer influence than would be the case, say, in Frankfurt or Hamburg. At Miele, too, effort has been put into creating an aesthetic environment, with neat lawns, flowers and a fountain next to its main building.

Miele, whose turnover exceeds DM 2.1bn a year, exports just over half of its output, mainly within Europe, though it is building up US sales. Its range includes washing machines, dishwashers, vacuum cleaners and cookers. It has been a pioneer in electronically-controlled appliances, and its products have near-legendary survival qualities.

Since its predominantly farming days, Guetersloh has come a long way. Now, it seems a model German town, clean, well-off, and with an appealing mixture of old and new buildings. Even so, unemployment is some 9 per cent, near the national average. So it is seeking new companies. "We want growth industries," says Mr Karl Ernst Strothmann, the mayor. "Unfortunately, we don't have Nixdorf," he adds in a half-joking reference to the thrusting and highly profitable computer company based at nearby Paderborn.

The gleaming gables and spires of Guetersloh; a lively and attractive place to live

Profile: Carl Friedrich von Weizsaecker

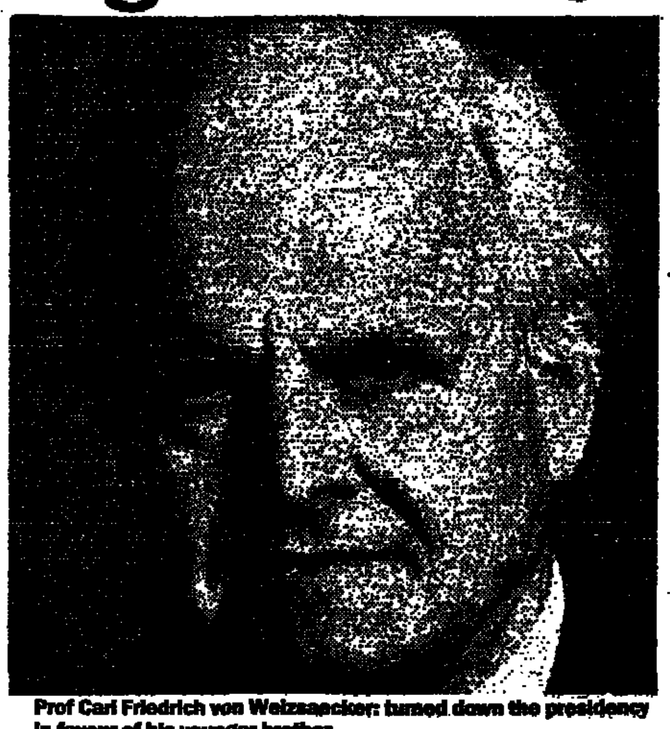
A race against time

LEVITY DOES not come lightly to Carl Friedrich von Weizsaecker. His words hang heavily with messages of desperation and hope.

Professor von Weizsaecker is a scientist who, stamped both by his own war-time experience and by the traditional intellectual curiosity of the German natural sciences, has become one of the Federal Republic's foremost philosophers.

Put into a grim nutshell, he believes mankind is on a race against time to save itself from destruction.

Supported by the Social Democratic Party (SPD) in 1979, he had a chance of becoming West German president. In fact, he turned down the idea of campaigning, and it is now his younger brother, Richard, who sits in the Villa Hammerschmidt, the official residence of the federal head of state.



Prof Carl Friedrich von Weizsaecker: turned down the presidency in favour of his younger brother

Prof von Weizsaecker, 75, studied physics at Leipzig and Goettingen under Niels Bohr and Werner Heisneberg and later worked in Berlin just before the war with Otto Hahn and Lise Meitner, who discovered the fruitful, deadly secret of atomic fission at the end of 1938.

Von Weizsaecker was one of the team of top atomic scientists who worked on Nazi Germany's atomic bomb project during the war. Bereft of funds and above all political will (Hitler believed the war would be won long before an atomic bomb could be produced) the scientists never succeeded in producing a chain reaction. But the project provided the spur for the US race to build the bombs dropped on Hiroshima and Nagasaki.

In early 1939, in the aftermath of Hahn's fission breakthrough, von Weizsaecker says the realisation of the potential of atomic bombs brought him to a conclusion that has guided his life since then. The alternative was that , "Either mankind would not survive this discovery, or else that the political institution of war would have to be abolished."

Von Weizsaecker, a Christian, has become a leading campaigner for a "peace conference" of the world's Churches to try ensure "justice, peace and the integrity of creation." The idea is for the gathering to link churches in the industrialised, Communist and developing worlds whose social and economic systems are all, in different ways, in a state of crisis. The conference is planned to take place in 1990. Von Weizsaecker says, "We must hope that God has enough patience."

Von Weizsaecker is close to the SPD - though not a party member - and is playing a part in giving the party new ideas for the future. On the SPD's call for a gradual 10 year "Ausstieg" (exit) from nuclear power, he says, his position is ambivalent. "I believe it is too dangerous to be used as the leading form of energy." But the number of people who will die as a result of the long-term impact of the Chernobyl accident is dwarfed by deaths from traffic accidents. Road deaths, he says, represent "a crime society has chosen to commit, year by year." And he points out that, taking into account all forms of death caused by coal production and burning, "fossil energy kills more than nuclear."

Von Weizsaecker, a long-standing member of the Halle-based Leopoldina academy linking East and West German scientists, is a frequent traveller to the eastern part of the divided country. He is a strong believer that controls on East-West technology transfer are counter-productive.

On the growing rapprochement between the two Germanys, he says, "It has been my subjective position since 1945 that I will not live to see German reunification. But for peace in Europe, it is very right and very necessary that the two German states should have the best possible relationship."

He adds that the "German question" has to be seen in a long term international context. "Any German reunification could only take place as a 'reunification of Europe' - an opening from Vladivistock to San Francisco which would also take in the Russians and the Americans."

David Marsh

Leslie Colitt, in West Berlin, looks at relations with East Germany

The two-way tide is growing

EAST GERMAN visitors in tiny Trabant cars are sightseeing in West Berlin and Kassel these days, while East German Reichsbahn trains leaving for the West are filled with younger East Germans setting off to visit relatives and friends in West Germany.

These are the highly visible signs of a new phase in East-West German relations. Since the building of the Berlin Wall in 1961, detente in the East-West German context has meant a gradual improvement in access to the East by West Berliners and West Germans, starting in the late 1960s.

Last year, however, a record 573,000 East Germans below retirement age were able to visit the West in the first major reverse flow of visitors. Together with East German pensioners, who were long permitted to travel to the West, 2.3m East Germans visited West Berlin and West Germany last year. The westward tide this year has picked up momentum and by the end of December 1.2m Easterners below retirement age are expected to visit the West.

Increasingly, applications by East Germans to visit friends in the West are also being granted, although technically they do not fall under the arrangement between East and West Germany governing visits in 'urgent family matters.'

Significantly, only a tiny fraction of the Easterners decide not to return home, less than 6,000 last year; but there has been a sharp fall in the number of East Germans who are allowed to move permanently to West Germany. The East German authorities, in effect, have opened the gates wider for travel to the West, in the hope this will discourage disgruntled citizens from applying for permanent resettlement to West Germany.

This has not yet happened, however, and estimates of the East Germans who want to leave for the West range from 75,000 to 500,000.

During his first visit to West Germany last month, Mr Erich Honecker, East Germany's leader, promised Mr Helmut Kohl, the West German Chancellor, that the number of East Germans excluded from visits to the West for security reasons would be reduced in the near future. The two sides also agreed to improve communications and to intensify tourism; cultural and sporting links between the two Germanies, as well as to ease restrictions on mailing specialist magazines, pharmaceuticals and cassettes to East Germany.

The twinning of communities in East and West Germany, until recently prohibited by the East Berlin leadership, was given new impetus by the Honecker visit and now encompasses nearly two dozen towns and cities; although significantly not East and West Berlin.

East Germany promised that ordinary citizens would also be included in the delegations visiting their West German partner towns.

Of potential long-range importance was the agreement reached just before the Honecker visit between the East German Communist Party and the opposition West German Social Democrats (SPD). Following a series of meetings on their ideological differences, the first since the Communist split from Social Democracy in 1919, the two parties agreed that neither could 'eliminate' the other and that competition between social systems in East and West could serve to strengthen their reformability.

The joint document had an instantaneous impact on the East German party, which had never before recognised the slightest need to reform. Party members rose at meetings and called for discussions on precisely what was needed in the way of party reforms.

No sooner did Mr Honecker return to East Berlin than West Germany's Postal Minister arrived for talks on increasing the inadequate number of telephone lines between East and West Germany. East Germany has little incentive to carry out improvement on its own, as it would require considerable investment and not result in any extra hard-currency revenue from the West. But in the meantime, the number of telephones calls from West to East Berlin and East Germany rose from 6.1m in 1974 to 30m last year, although the number of lines remained at only 203.

Similarly, East Germany lacks the financial resources to help reduce air and water pollution affecting the two countries, as both sides agreed during Mr Honecker's visit. On the other hand, it could earn the hard currency required to buy West German anti-pollution equipment for its lignite burning power stations from electricity sales, if an ambitious plan to link the West and East German electricity grids, including that of West Berlin, is realised.

Talks have taken place between a subsidiary of the giant West German Veba energy group and the East German authorities about the construction of an electricity line beween West Germany and West Berlin across East German territory. The line would deliver electricity to hitherto self-sufficient West Berlin and would be paid for by the West Germans.

East Germany, which has suffered severe power shortages in recent winters, would be able to get electricity from this line to cover its peak needs. Under the plan, East Germany would use the D-Marks it earns from the electricity lines transit fees to buy West German power station 'scrubbers.'

Another project discussed during the Honecker visit was the electrification and renewal of the railway link between Hannover and West Berlin. The cost of a modern rail line which could be used by the new generation of very high-speed trains is estimated at DM3bn, with East Germany again being prepared to pay only a small part of the cost.

The two German states also agreed to step up scientific co-operation, after signing an agreement in Bonn which had been under negotiation for fourteen years. Researchers from both countries are to work on joint projects ranging from physics to production technology, and the Aids disease.

The two countries also agreed to exchange information on nuclear reactor safety, in order to reduce the danger of nuclear accidents and to improve the disposal of radioactive wastes.

But, undoubtedly the greatest impact of Mr Honecker's visit to the West was the sentence he spoke during the visit to his birthplace of Neunkirchen in the Saarland.

He noted that East Germany is a member of the Warsaw Pact and West Germany of Nato, and that as a result the border between them was 'not as it should be.' The East German leader went on to say that, if both sides acted according to the communique they had signed in Bonn and achieved a 'peaceful co-operation, then the day will come when the border no longer divides us but unites us — just as the border between the German Democratic Republic and Poland.'

In West Germany this was taken to mean the possible lifting of the standing orders to East German border guards to shoot at citizens seeking to escape. In fact, much sooner than had been imagined, East German border guards who fled to the West reported that on several occasions this year - during the visits of Western leaders to West Berlin and Mr Honecker's own visit to West Germany - the orders given the border guards to shoot at sight were suspended for several weeks.

The leaders of the two Germanies, Erich Honecker (left) and Helmut Kohl at the Palais Schaumburg in Bonn last month

Defence

The worries remain

THE PROSPECTIVE agreement between the US and Soviet Union on eliminating medium-range nuclear missiles offers West German defence strategists the opportunity for a limited amount of self-congratulation - and a somewhat larger dose of concern.

Chancellor Helmut Kohl likes to point out, with justification, that West German tenacity in deploying Pershing II and cruise missiles from 1983 onwards, in line with the original Nato "double-track" decision of 1979, helped pave the way for the superpower accord now in sight.

However, Bonn's pleasure over the likelihood of a superpower "double zero" deal - eliminating all missiles with ranges between 500 and 5,000 km - has been less than total. It has been overlaid by worries that the shorter-range US and Soviet warheads which are left would all explode on German soil (in both East and West) in the case of conflict.

Additionally, West German defence planners and officers fear that the prospective raising of the nuclear threshold in Europe, however welcome in dampening the prospect of an atomic holocaust, increases the exposure of Nato's front-line state to the Soviet Union's numerically superior conventional forces and chemical weapons.

Mr Manfred Woerner, the Defence Minister, has made clear that he shares these fears and spoke this summer of the danger that Moscow could use the accord to exert "hegemony" over western Europe.

In spite of the continuing presence in West Germany of 200,000 American troops, right-wing commentators have been suggesting that prospective removal of US medium-range weapons will push further the process of "decoupling" of American and West German strategic interests.

Anxieties over the missile accord among the conservative parties in the centre-right coalition have been aired almost continually during the spring and summer. This has led to two periods of controversy - first on whether the Government would agree at all to the "double zero" and then on whether, as part of the deal, it would agree to scrap its ageing Pershing 1A missiles whose warheads are under US control.

In both cases, it was never in much doubt that the Government would have to follow the line of the superpowers.

But the well-publicised doubts meant that, instead of reaping the political benefits of "double zero," the Government has appeared indecisive and even insincere in its entire approach to disarmament. This rebounded against Mr Kohl's Christian Democratic Union, especially in two state elections in May.

Bonn hopes that the political wounds have now been healed. But in military and strategic terms, the real post-"double zero" battle for West German defence planners is now only just beginning.

The increasing importance that conventional defence will now no doubt play in the European security equation has had two consequences.

One is to strengthen Bonn's determination to press for reductions in the Warsaw Pact's troop and tank strength and especially to support the quest for a world-wide ban on chemical weapons. Unfortunately, the sluggish history of the Vienna European troop reduction talks does not hold out any hope of speedy agreement.

Paris wants to avoid spreading the French nuclear umbrella over West German soil

Second, West Germany has become keener than ever to find a firm ally on its western flank. And this desire has met with understanding from the Paris Government, now alerted to the danger that disillusionment and disarray in West German security policy would also spell a threat for France.

Improved defence co-operation between France and West Germany, symbolised by the largest-ever military manoeuvres between the two countries in Bavaria in September, raises the prospect that French forces would come to the defence of West Germany, like other Nato armies, in the case of aggression on its eastern border.

A Franco-German Defence Council, due to be formally constituted in January on the 25th anniversary of the Elysee Treaty of 1962, is intended to give flesh to this commitment.

It is not clear, however, whether France is full-bloodedly committed to this new security link. The accord has been given backing by President Francois Mitterrand, but Mr Jacques Chirac, the Prime Minister, has pointedly distanced himself from it.

Additionally, the role of France's nuclear strike forces has been left vague. Paris wants to avoid spreading its France's "nuclear umbrella" over West German soil and Mr Kohl has warned wishful-thinkers in his own party that France can never replace the US as the guarantor of West German security.

In the new post "double zero" era, maintaining troop strength in West Germany's 490,000-strong army, and dampening growing public irritation over the activities (such as low-flying by US aircraft) of Nato forces in West Germany are likely to pose increasing headaches for the Bonn Defence Ministry.

The financial crunch on the military procurement budget is also growing. The squeeze caused by massive cost escalation of the Franco-German military helicopter PAH-2 has raised question-marks over West German participation with Britain, Italy and Spain in the planned European jet fighter for the 1990s.

Although it seems unlikely that Bonn will pull out, the fighter issue is due to come to a showdown at a Cabinet meeting on November 11.

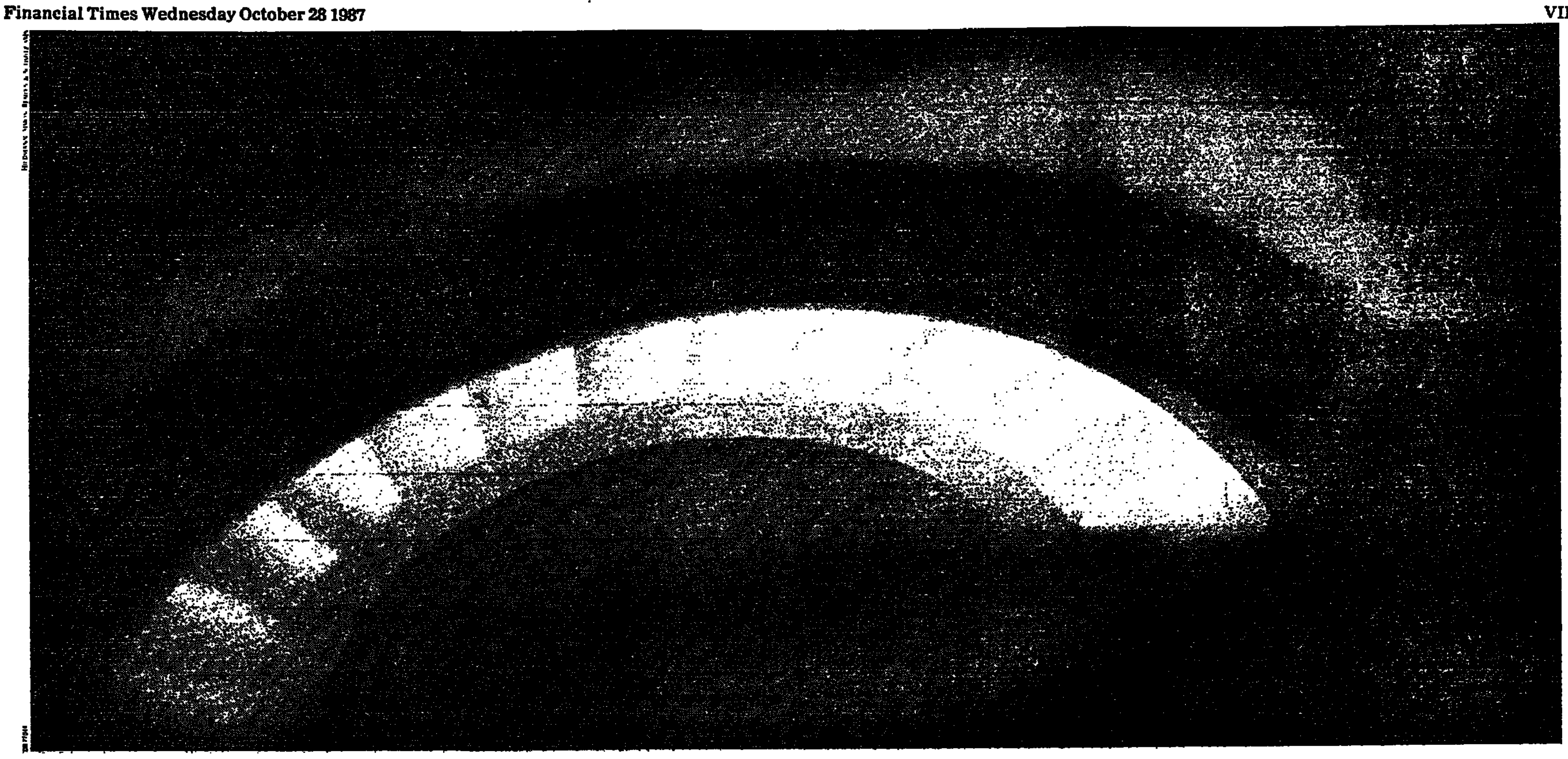
West German sensitivities about its front-line position have also led to differences of opinion with other Nato countries, especially the US, France and Britain, on how follow-on nuclear disarmament talks should be conducted. Bonn wants an immediate move to negotiations on removing the under-500 km range arsenals - the Scud-B and SS-23 weapons based in East Germany and Czechoslovakia.

This has been opposed by Washington and London, which are concerned that further cuts in European nuclear forces would damage irrevocably Nato's "flexible response" strategy. The new Nato Supreme Commander in Europe, General Galvin, also warned this month against "dangerous hurry" in nuclear disarmament.

West Germany at least looks likely to have a front seat in Nato if Mr Woerner is appointed the organisation's secretary-general to take over from Lord Carrington next year.

His candidacy has run into heavy oppositioin from Norway. But if he does leave Bonn this could also signal more disagreement over security policy within the ranks of Mr Kohl's Government. It has been rumoured that his successor could be a politician with a distinctly soft line on disarmament, Mr Heiner Geissler, the CDU general secretary. If this turns out to be the case, then protests from Mr Kohl's right-wing are likely to flare up with a vengeance all over again.

David Marsh



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Profile: Hans-Jochen Vogel

How the head knocked his party in shape

Mr Vogel: not the right time to discuss possible partners

JUST OVER two years ago Mr Hans-Jurgen Wischnewski, coordinator of the dramatic rescue of German hostages on a Lufthansa jet in Mogadishu in 1977, angrily resigned as treasurer of West Germany's opposition Social Democratic Party, accusing its parliamentary leader, Mr Hans-Jochen Vogel, of "behaving like a head teacher."

Today Mr Vogel, 61, is leader of the whole party and says magnanimously that the slight did not hurt. "They used to call Helmut Schmidt a sergeant-major," he remembers. "By comparison, a head teacher is somewhat kind."

It has to be said though that Mr Vogel *does* look a little bit like a head teacher. Tall and erect, his forehead sweeps back to wavy grey hair and he has an ability to peer down at whoever he is talking to.

He is, in fact, a relaxed and friendly man but the stern image may do him no harm for a while. He assumed leadership of a demoralised SPD earlier this year after Mr Willy Brandt resigned as chairman and, already, experienced political observers in Bonn say they detect a new sense of purpose and discipline running through the party.

"I would take only a little of the responsibility myself," he says. The party had recognised after losing so badly in the general election last January that it was in bad shape. What had also been encouraging was the apparent inability of the radical Greens party to come to terms with a host of Laender losses - the Greens now seem irreparably split on policy but they had, before January, been doing the SPD a great deal of damage.

Willy Brandt's departure has done a lot to lessen the once constant speculation about possible links between the SPD and the Greens. Mr Vogel is a political moderate and not as fascinated by Green exuberance as Mr Brandt was.

He denies, however, that the SPD's only other real alternative as a coalition partner, the liberal Free Democrats (FDP) represent any hope in the foreseeable future. The FDP sank Helmut Schmidt's SPD Government in 1982 by leaving it and joining Mr Helmut Kohl.

"There is a high degree of agreement in security and foreign policy between us and the FDP," he says, "but on the economic and social side the gulf between us is even greater than in 1982. All this (recent) speculation about a link with the FDP at the Federal level has no inner logic."

West Germany has become virtually ungovernable without coalitions, though. Pressed on the point, Mr Vogel says it simply is not the right time to discuss possible partners. The party is going through a major, though amicable, reworking of policy and its leader sees his job partly as keeping things quiet and proper.

He scowls at suggestions that the SPD is divided on important economic and security policy questions and is somehow not ready for Government. "The ability of my party to govern is at least comparable to that of the present Government," he says. "Compared with the infighting and squabbling in the (Kohl) Government the SPD looks like a happy family."

The SPD, he insists, would lead far more decisively than Chancellor Helmut Kohl's Christian Democrats. "The sensitivity to pressure from lobbyists of a CDU-led Government is much greater than that of an SPD one," he says. "Of course we have to take account of the unions, but we would be more resistant because we don't have all these (business) interests in our midst."

But didn't the Schmidt Government run the country into heavy public deficits? "Our (SPD) deficits were rising at a time of depression in the world economy," he says, "but now the number of unemployed here is higher than it was then, even after five years of economic recovery, and deficits according to (Lothar) Spaeth (a senior CDU leader) could rise to DM85bn or DM90bn (from DM52bn) by 1990. The decisive point is not whether one has deficits, but why."

One thing he would spend money on if he were Chancellor - he ran and, not unexpectedly, failed against Mr Kohl in 1983 - would be the Ruhr coalfields now threatened with closure. Some 30,000 miners will probably lose their jobs in the next few years. "We have to thank the coal-miners that we did not freeze after the war. But this is not a one-way street. Now that they are in trouble, and we are able to, we have to help them."

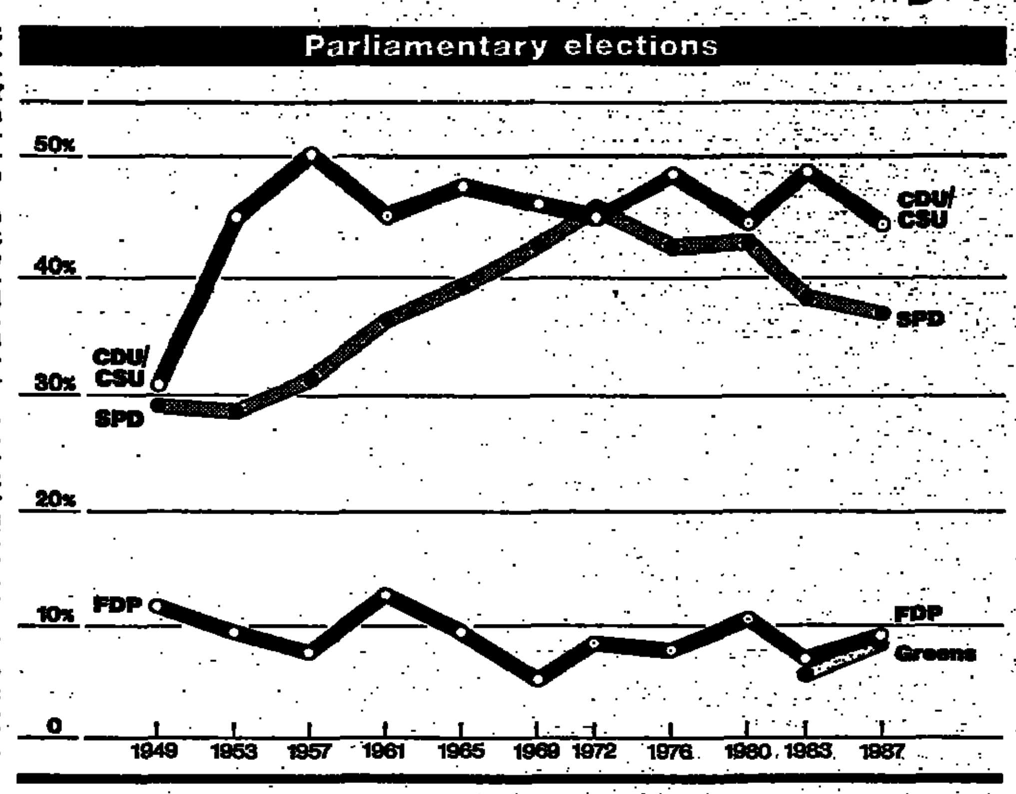
Once Mayor of Munich, and a Minister of Justice under Helmut Schmidt, Mr Vogel is also keenly aware of the deep suspicion in which the SPD's defence and Ostpolitik is held by conservatives at home and abroad. Thank heaven, he says, that the recent visit to Bonn by the East German leader, Mr Erich Honecker, took place under a Christian Democratic Government. "Just imagine the reaction if Honecker had come while we were in power," he chuckles.

Being in opposition has its moments, anyway. The Government often picks up old SPD positions that it once criticised and SPD guests are frequently snapped up to see ministers. It happened again this month "We invited (Soviet Central Committee foreign affairs chief) Anatoly Dobrynin here and then Kohl speaks to him for three hours," says Mr Vogel. "That's not bad".

Peter Bruce

Politics

Three sides to almost any story



TO THE casual reader, West German politics must sometimes seem to resemble its chaotic Italian cousin. For most of this year reports out of Bonn have been remarkably consistent in their subject matter - there is trouble (again) in the coalition.

Explaining quite why the three parties that govern West Germany fight so much is like trying to make clear why Prussia and Denmark squabbled over Schleswig-Holstein in 1848. Lord Palmerston, the English statesman, said he had once understood why but had since forgotten.

The three parties in Chancellor Helmut Kohl's coalition cannot abide each other. Their marriage is completely without love. The biggest party, Mr Kohl's Christian Democrats (CDU), rightly feels itself feared and loathed by its Bavarian sister party, the Christian Social Union (CSU) and the butt of cruel jokes about its provincialism by the liberal Free Democrats (FDP).

The CSU, run like an army by the Bavarian leader, Mr Franz Josef Strauss, is the most troublesome. It is not only very right-wing but, probably because it is confined to Bavaria, feels a need to throw its weight around. The CSU particularly despises the FDP because the FDP is "soft" on internal security and controls the Justice Ministry. It also resents the fact that Mr Hans-Dietrich Genscher, a member of the FDP, is Foreign Minister and thus presents a skewered (liberal) picture of West Germany to the outside world.

The FDP regards itself as the kingmaker. It, after all, made the Kohl Government possible by abandoning the Social Democrats (SPD) in 1982 and joining Mr Kohl. The liberals regard the CSU with the nervous amusement that crazed drunks generate when they climb onto crowded buses. Who gets breathed on next? The CDU is simply the vehicle that brings in the most votes and allows the FDP more chance to put its free market policies into effect than the SPD did.

Unlike Italian coalitions, though, the one in Bonn has been put together with a very flexible glue. No-one is going to walk out yet, no matter how much patience and principle are tested.

This enthusiasm for power, rather than policies, is easy to measure. Although Mr Kohl came to power in 1982 promising *Die Wende*, or what was taken to be a Thatcherite turnaround in economic and social policy, almost nothing has happened. The country has managed to get inflation down to almost nothing but at such cost to investment that this year the economy will struggle to grow much more than 1 per cent.

Rather, the Government has come bogged down in its internal fighting and backstabbing and is constantly being overtaken by events. It happened in the summer, when Mr Kohl opposed the so-called "zero option" - the US and Soviet plan to scrap all their intermediate nuclear force (INF) missiles. Within weeks, he had to agree to it, much to the irritation of his right wing. But, he said in June, Bonn would never surrender its 72 Pershing 1A missiles. Two months later, he had.

The missiles brought to the surface an entirely new battle in the coalition, as the CSU now trained its sights on the CDU after four years of liberal bashing.

Mr Strauss and Mr Kohl have a long history of bitterness between them but *for* much of Mr Kohl's chancellorship it had been kept under modest control. Since the election, however, Mr Strauss has stepped up his attacks. Both the CSU and CDU lost votes in January and Mr Strauss blames Mr Kohl, citing indecision and the corrupting influence of the FDP. By offering to give up the Pershing 1As before even consulting Mr Strauss, Mr Kohl went too far, he said. After flinging some intemperate insults at Bonn and the Chancellor, Mr Strauss pulled his party out of some coalition meetings in protest.

The two sides later met and agreed to stop fighting in public, but it is clear that something significant had happened. In the mid-1970s the CSU threatened to break its alliance with the CDU and to campaign nationally. It got cold feet then, but the threat has begun to loom large again.

Mr Strauss fears that the CDU is beginning to move slightly to the left in an attempt to pick up discontented former SPD supporters. His worry is that the right wing outside Bavaria will then become vulnerable to extreme right-wing parties, some of which are beginning to score in local elections.

The CDU is, in fact, engaged in a controversial attempt to reposition itself and Mr Strauss's fear are not unfounded. Senior CDU administrators believe there are votes to be won left of centre among young people entering high technology service industries but they have run into opposition from the Chancellor who appears to want the party to stay firmly right of centre.

But the argument has more to do with where the CDU will be after Mr Kohl is no longer around. *Most* of the main contenders for his job, including Mr Norbert Bluem, the Labour Minister, favour a shift.

The CSU is relatively helpless here, although it can and does make a lot of noise. If it were to go national, then the CDU would campaign in Bavaria and the CSU would come off second best. It also seems highly unlikely that the rest of the country would open its heart to a party that for the last four decades has been arrogantly trumpeting Bavarian superiority and whose leaders all speak with funny accents.

The thought of the CDU trundling left annoys the FDP as well, because the new techno-votes are also a liberal target. Some of Bonn's more adventurous observers have already begun to spot tell-tale signs of the FDP getting itchy feet again. It is, at the moment, unthinkable that they would leave this coalition as they did Helmut Schmidt's but they are, nevertheless, clearly not at home with Mr Kohl.

For the SPD to become a possible partner again, though, the environmentalist Greens party would have to be removed from the picture. The Greens sometimes seem to be in the process of doing just this themselves, with their "realist" and fundamentalist wings barely able to make policy together. But West Germany can be ruled only by coalitions and the Greens seem to be all the SPD has got at the moment.

While the SPD and the Greens languish (sometimes together) in a Federal political wilderness, however, the SPD and the liberals are showing an interesting willingness to co-operate at state level again. An SPD-FDP coalition now runs Hamburg and had the Social Democrats not won an overall majority in Bremen, they might well have invited the FDP into government and not the Greens.

It is also quite possible that an SPD-FDP Government could emerge from the mysterious death earlier this month of Dr Uwe Barschel, the former Schleswig-Holstein Premier. Mr Barschel had to resign a few weeks earlier because of allegations that he had tried to smear his main SPD rival in last month's state elections but his death may lead to a new poll. The SPD has not ruled out a link-up with the liberals in the state and it is not certain that FDP declarations of loyalty to the CDU will hold forever.

Mr Barschel's death, though, may have opened up an entirely new chapter in West German politics. Allegations of murder have been made by his family and a can of very unsavoury worms seems to have been opened before an amazed public. It may be far too late to put to the lid back on, in which case the coalition's current brawling will have been chicken feed.

Peter Bruce

Trier's twin town

A lot nearer to Weimar

Mayor Zimmermann of Trier: twinning, it had to be Weimar

"THE WORST thing about Trier," wrote Goethe during a trip in 1792 to the antique German town on the Moselle, "is that it is a long way from Weimar."

Trier and Weimar... the first the birthplace of Karl Marx, the second the town in which the genius of Goethe and Schiller flourished. Each represents in its own way the continuity of German culture and history, interrupted but by no means ended by the post-war division of Europe.

Now the two towns have a good chance of becoming nearer in spirit, if not in geography, in a way which Goethe could never have dreamed of. An urban "partnership" was formally inaugurated between them last month, the 10th in a series of twinning arrangements between East and West German communities which symbolises a new mood of cautious togetherness between the two Germanies.

Trier, officially 2,003 years old, ranks as West Germany's oldest town. Founded by Emperor Augustus, its front-line position on the western boundaries of successive Germanic empires has given it a turbulent history and brought peace and prosperity only relatively late - with the post-war move towards Western European integration.

The twinning arrangement with Weimar is the first to be sealed with a West German town run by the Christian Democratic Union (CDU). Mr Felix Zimmermann, the 54-year-old CDU mayor of Trier, says this gives it a special quality - also for the East Germans.

Despite East Germany's official reluctance about attaching too much importance to such partnerships, Mr Zimmermann says East Berlin's more open attitude towards the "dialogue" brought by these arrangements would have been inconceivable even six months ago.

The idea of an East German twinning link was first formally tabled by the Social Democratic Party in Trier in 1984. But Mr Zimmermann, a burly lawyer and art-lover who has been mayor for seven years, hails the partnership as fulfilling a long-held personal ambition. Weimar was the only East German candidate which ever came into question as a centre of European culture, he says firmly.

The partnership will start to gain shape only slowly. Visits of musicians, handball matches, youth exchange visits (20 young people each next year), a peace symposium, exhibitions and a conference on architectural conservation are all foreseen. Mr Zimmermann hopes the link will lead to a blossoming of artistic exchanges.

The ties can scarcely become as spontaneous and natural as those with West European towns such as Metz and Gloucester with which Trier is also twinned, says Mr Zimmermann. "But politics can also be carried out in small steps, not just big ones."

Mr Zimmermann concedes that the forging of "normal" relations means, for East Germany, considering West Germany as a foreign country, whereas for the Federal Republic it is exactly the opposite - seeing East Germans as "co-citizens."

The famous preamble to the Federal Republic's 1949 Basic Law (provisional constitution), setting down German reunification as the state's overriding aim, will continue to exist as long as the Bundestag does not summon up a two-thirds majority to change it, he points out.

As one curious common link, Mr Zimmermann shares the same birthday (August 25) as Mr Erich Honecker, the East German leader who visited the Karl Marx house in Trier last month.

If the US and the Soviet Union move towards more thoroughgoing detente, then the question of reunification will be seen in a different light, says Mr Zimmermann - and the Utopian vision kept alive in the Basic Law could turn out to be pragmatic after all.

David Marsh

Trade Fairs

Moving towards specialisation

FAIRS ARE big in Germany, and the competition between Hannover, the country's biggest, Frankfurt, which comes second, and other major sites like Duesseldorf and Munich is extremely fierce.

Moreover, the market internationally is becoming steadily more competitive as expansionist-minded city councils continue building large exhibition and convention centres and jostle for business that is now static at best.

Pinning down Frankfurt's total number of visitors to the fair each year depends very much on the year you choose, as the IAA - the fair's biggest draw with over 1m visitors - takes place only every other year.

Annual attendance varies between about 1m and 2.5m a year, depending on whether the IAA is on or not. Unlike the IAA, with its mass-market draw, the book fair and most of Frankfurt's other functions are mainly for professionals and have lower attendances to match. The book fair pulled in over 100,000 publishing people last year, making it the leading publishing event in the world.

Both books and cars are "guest" events, meaning they are organised by outside sponsors who use the fair's facilities. However, the fair puts on plenty of its own shows as well.

Two of the biggest are the annual Spring and Autumn International Fairs, which pull in about 100,000 and 80,000 visitors respectively. Both are wide-ranging consumer goods exhibitions, designed to give producers and providers of consumer servicers a chance to meet and show their wares to the retailers who flock to Frankfurt to see what is new.

The opening days of the Spring and Autumn Fairs are often also used by politicians and Germany's economic institutes as occasions to pontificate about the state of the nation or the economic outlook. You have to try hard to miss the Messe. Its huge exhibition halls, conveniently located on the western edge of the city centre, cover some 400,000 sq m, 261,000 of which is indoors.

By early next decade, the fair will become even more visible. Foundation work is already well under way for the new "Messe Turm", the fair tower, a 254 m-high needle designed by Mr Helmut Jahn, the Chicago architect, that will be the tallest building in Europe.

The tower is the most obvious sign of the DM800m the fair has been investing since 1980, though the skyscraper itself is in fact a joint venture with private developers. In return for the land, the fair is getting some of the office space and a share of the rent in the completed building.

Among other big development projects on hand is the nearly completed renovation of the Festsaal, the congress hall, which is sometimes rather flatteringly called the pearl of the fair.

A huge circular Victorian pile, it is more a clam than a pearl. However, functional it certainly is, seating up to 15,000 spectators in reasonable comfort after its recent modernisation.

Work will soon start on demolishing Hall 1. This was one of the fair's earliest exhibition halls and is to be replaced by a modern multi-function space, designed to promote the fair's strategy of offering a range of smaller 'special interest" events beyond just the large traditional single functions for which it is best known.

Under Mr Horstmar Stauber, its far-sighted managing board chairman, the fair has increasingly been moving towards specialisation and a marketing strategy of presenting itself as a service industry fostering contacts, rather than just a provider of exhibition space.

Spinning off new events, such as the now-annual Music Fair, from the most popular areas of the Spring and Autumn fairs, is one example of that specialisation. Another is concentrating on what are felt to be worthwhile new exhibitions where there is thought to be untapped demand.

Textiles is one example: Frankfurt is now a world leader with five different events for the textiles trade, ranging from the Interstoff exhibition, catering for high fashion, at one end, to Techtextil, its annual fair for the technical textiles market, at the other.

More recently, the fair has identified information technology as a potential area for growth. Infobase, the exhibition first held in 1985, is still adding exhibitors and visitors, but the fair thinks it is on to a winner.

Specialisation has done little harm to the bottom line. The fair notched up a healthy DM160m turnover in 1986 - a year in which the crowd-pulling IAA was not on - which was some 25 per cent up on 1984, the nearest comparable year. Turnover should climb to almost DM200m this year, and top DM250m if guest events are included.

Meanwhile, organisers are particularly pleased by the level of foreign interest. More than half of last year's 25,500 exhibitors came from abroad and some 40 per cent of all US and Asian exhibitors who came to fairs in West Germany chose Frankfurt.

Haig Simonian

Services industry

Room for entrepreneurs

FOR MANY it was the last straw. "They don't even do this in Calvinist Switzerland", spluttered one irrate businessman. Most of his fellow travellers agreed wholeheartedly.

The reason for the fuss was the decision by a Frankfurt appeals court earlier this month forbidding all shops at the city's 'international airport, the second biggest in Europe, to sell goods outside normal shopping hours to anyone but passengers holding a valid boarding pass. Failure to observe the new rules could result in fines of up to DM500,000 or six months' imprisonment.

The incident once again threw light on the surprising underdevelopment of many German service industries despite the country's undoubted prowess as an industrial power.

Retailing is one of the best examples. Ever since the country's shop closing law came into force in 1956, German stores have had to observe a business strict regime. Doors can open anytime after 7am, and some shops only start business appreciably later, but all have to shut by 6.30 during the week and by 2pm on all but one Saturday a month.

Needless to say, the law is full of loopholes. Petrol stations, for instance, can stay open longer, provided they do not sell a range of goods beyond motorists' immediate requirements, though many take that definition to sell much more than just fan belts and wiper blades. So do newpaper kiosks, which are also allowed to stay open at different hours. And chemists shops, of course, can open outside normal hours on a rota basis.

But there some stranger anomalies too. Take the special rules regarding retailers in spa towns or some shops in rurul areas, which can sell certain items on Sundays.

Until the Frankfurt court ruling, shops in airports and railway stations were also exempt *from the strict closing law on* the grounds that they served the special needs of travellers. However, it was widely recognised that many buyers were not genuine passengers at all, but just busy locals making use of the chance to shop outside normal hours.

The Frankfurt case has raised the temperature and focused the attention of groups lobbying for and against changes in hours back onto the debate over late-night opening one evening a week.

Changing the law accordingly was one of the agreements struck by the liberal Free Democratic Party and the majority Christian Democrats after the federal elections in January. According to the deal, the shop-closing law will be amended in order to let stores stay open until 9.00pm or 10.00pm one night a week.

However, opposition to even a short weekly extension has already built up strongly as a result of an unlikely-seeming alliance between trade unions and certain retail interests.

The unions' hostility is based on social grounds. They argue that members - often women - will suffer through longer hours and will have less free time with their families. Moreover, the unions claim that there is no real demand in Germany for longer shopping hours.

The Deutsche Angestellten-Gewerkschaft (DAG), the more moderate of the two unions representing shop and clerical workers, is lobbying hard and concentrating on persuading *the public that hours should not* be changed, as shoppers have little to gain.

At the Gewerkschaft Handel, Banken und Versicherung (HBV), the other union involved, opposition to longer hours is almost an article of faith.

The alignment against longer opening is more complex on the retailers' side. Surprisingly, the opposition includes some of the country's biggest department store groups such as Kaufhof.

According to Mr Wulf Ridder, the company's spokesman the store does not think that there is any real need to stay open longer. Others point to the large number od shops outside immediate city centre areas which close early even on those once monthly Saturdays when they could stay open longer if they wanted.

Underneath the rhetoric, however, probably lies another argument, based more on competitive fears than proven facts. Many large retail chains, which, under Germany's co-reponsiblity system of management, share decision-making with workers' councils, are probably afraid they will lose business to competitors if the laws are changed and their own workers block an extension in hours, which other stores are able to push through.

The strongest support for liberalisation comes from Germany's fast-growing competitors like the Asko and Massa discount retailing chains, which are often in green-field sites.

Even the Co-op, traditionally very closely associated with Germany's trade union movement but which is now very much a profit-orientated private company, is in favour of at least "an experiment" in longer hours.

"We would like a small liberalisation of, say, one evening a week", says Mr Bernd Otto, its chief executive, although he is not entirely convinced of the merits of longer opening.

"You have to see it in terms of the German character", he says. "In winter, the evenings are too cold to go off shopping, and there are psychological reasons why Germans have not adopted the idea."

The Co-op is in a slightly unusual position. It has a large number of city-centre stores and smaller suburban supermarkets, while it has more recently been developing some very large green-field shopping and do-it-yourself sites, which are expected to benefit from any liberalisation most strongly.

Hence Mr Otto's ambivalence. But the rules should at least be relaxed a little to allow each store to try longer hours and make up its mind for itself, he maintains.

Haig Simonian

Consumerism

Spending power given a boost

WEST GERMANY is perceived as a country of savers rather than spenders. Financial caution is deeply embedded in a country where wheelbarrows full of money were needed for the simplest purchases just over 60 years ago.

Today, inflation is negligible, but anxieties about its acceleration remain. Like the Swiss, Germans have a well developed sense of Angst about anything that smacks of economic instability.

Even so, the balance has been tipping ever so slightly away from the savers towards the spenders. Well travelled, well dressed, and well fed, Germans have one of the highest living standards in the world.

But the same inherent discipline, admirable to some and infuriating to others, that has brought about the country's steady post-war prosperity inhibits the development of runaway spending, let alone a consumer boom based on credit.

As the rising D-mark puts a brake on exports and foreign, especially US pressures, for more economic stimulation persist, the German Government has been basing more of its hopes for future growth on private consumption.

So far, these hopes have been fairly well justified. Tax cuts, with more to come, have helped boost purchasing power, as have lower fuel prices. Retail sales in July were 4.5 per cent higher than the same month of last year. The savings rate, meanwhile, has been slipping. According to the Bundesbank, it was 1.5 percentage points lower in the second quarter, at 13 per cent of disposable income, than in the first three months.

The central bank reckoned savings would continue to slip during the second half of this year. So if Germans are starting to put less money away, what are they spending it on?.

Cars, for one thing. "Germans always spend money on cars," says George Black, head of the J. Walter Thompson advertising agency's German operation. "It's an incredible psychological symbol. It means personal freedom, hence people's touchiness about speed limits."

The motor industry has certainly been enjoying a good year after a record 1986. Altogether, there are now some 28m cars in Germany, a fifth more than in 1960, making it ever harder to keep up high speeds for any length of time. These days, congestion is becoming more common than the open road.

Sixty per cent of Germans named car driving as a free time activity in a recent poll. This was less than the proportion naming music, television, and party-going as favoured pursuits, and only slightly more than walking in a country where the great outdoors is such a strong part of the national culture. But it was far more than sports, culture, and Do-It-Yourself.

Germans have also been spending more on clothes. It is not only German women who strive for elegance. Men, too, have become snappier dressers in the last few years. In German households, a big part of the budget is set aside for holidays.

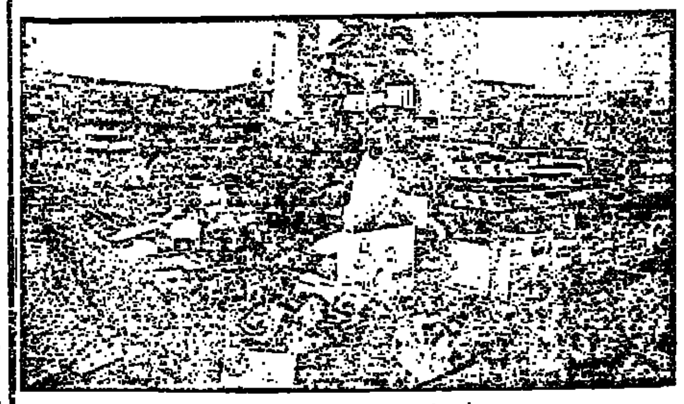
Germans are about the most travelled people in the world, aided considerably by the strong D-mark. In April-July, foreign holiday spending was 12 per cent up on the same months of last year, the Bundesbank said.

"Holidays are sacrosanct," says Black. "People especially seek the sun at Christmas." Accustomed to long holidays, Germans are travelling increasingly further afield to Sri Lanka, Mauritius, and south-east Asia. Still, it can sometimes be galling to find that a German-booked holiday has cost considerably more than one booked in Britain.

Along with the steady rise in consumer outgoings has come an increase in advertising spending. Last year, net media income from advertising rose by 6 per cent to DM 17bn. This year, it is expected to increase by a further 4 per cent.

Though wit and humour are not wholly absent in German advertising, the entertainment value is far lower than in the US or the UK. "It tends to be a little more earnest," says Black, though noting that it is hard to judge creativity in one country by standards obtaining elsewhere.

Andrew Fisher



From muesli to carrots on display

Health Foods

A market for insiders

HEALTH FOODS, for a German, is akin to metaphysics. To buy a carrot drink in Germany you do not look for a straight-forward health food shop, but for a Reformhaus or a Naturkostladen (Nature diet shop). The label on the bottle will not just list the ingredients, but describes their goodness with poetic rapture and their process in the use of refined sugar."

The group is increasing in danger of being by-passed by the ever more important ecological movement. The philosophies of environmental groups and Far Eastern gurus have largely taken the initiative from Neuform on matters of diet and food production. This accounts for a growing number of so-called Naturkost shops, popularly known as bio-shops.

Shopping is an act of purification. Just by reading all the promised beneficial effects, half your ailments seem to vanish. Can it be otherwise when the very names of the manufacturers and their products ring of paradise (*Eden*) or simply of glowing cheeks (*Rotbauckchen*)?

The German health food movement is, like the Universal Church, riddled with sex. Traditional followers like the Kneippists believe in water and herbs, while the post-war Bircher-Bennerists believe in muesli. More recent trends are linked, for example, to a dentist called Schnitzer,who does well out of home flour grinders, or to an 80 year old guru of alternative medicine, M O Brucker,who runs a highly successful clinic and repeats the same message in a dozen books: eat less sugar, more raw food.

"Anthroposothy" is what tens of thousands of followers of Rudolf Steiner's cosmic theories believe in and they run schools, hospitals and food, pharmaceutical and cosmetic concerns "in harmony with nature." The Seventh Day Adventists do likewise, and nowhere more successfully than in Germany. Common to them all, in varying degrees, is the stress on vegetarianism, restraints on alcohol and tobacco, avoidance of food additives and preservatives, and preference of whole over processed foods.

All these factors combine to make the German health food market an affair for insiders, who need to be in tune with volatile trends and well-informed about conflicting interests and trade controls.

The leading umbrella organisation is the Neuform group. It was founded in 1930 as a merger of two previous trade associations,and moved its headquarters in 1953 from Berlin to Bad Homburg near Frankfurt. Membership is given to owners of approved health food shops after thorough training courses, provided by the head organisation. Shops are then allowed to offer goods labelled with the distinctive Neuform logo. They are produced by firms which are under contract to adhere to the "reform principles of the association."

What began as a venture by a few idealists concerned about people's health last year topped the DM1bn turnover mark, produced by 1,300 members who own a total of 1,300 *Reformhauses*.

Food accounts for one half of that turnover, special diet foods for 14 per cent, herbal medicines for 21 per cent and natural cosmetics for 30 per cent. Although the Reform shops are individually owned, the Neuform list of goods (numbering 3,500 items) has tended to make them look uniform and to encourage chain shops in some towns. The Lettow shops in Bonn are clearly bent on fast selling, appealing to a mass market with discount offers and catchy displayed techniques. Others like Heidi Mangold in Frankfurt take pride in hand-crafted wooden shelves and a passionate - some would say zealous -belief in a good cause.

In 1982 the bio-shops founded their own trade association and they have branched out into wholemeal bakeries, "biological" paint and solvent factories. Most of the shops maintain a staunchly ideological atmosphere, but Eco supermarkets like the recently opened "Alnatura" in Mannheim seem to be up and coming. With every environmental calamity from Chernobyl to the Rhine disasters, the German health food craze is driven a step further in its urge for a natural way of life - with implications well beyond the sphere of the original *Reformhaus*.

Gunter Kowa

Coal industry

Painful slimdown looms ahead

THE BONN Government has just taken its first few brave steps towards re-organising and trimming down one of the country's most expensive luxuries - coal mining.

Once politically untouchable because of their huge production efforts after the war and because of their large numbers, West Germany's coal miners face a bleak future.

Up to 30,000 miners, 18 per cent of the total workforce, may lose their jobs in the next few years. The Government warned this month that it cannot continue to maintain subsidies to the industry at this year's DM10bn level. Mr Martin Bangemann, the Economics Minister, fumes that overproduction in the mines is running at about 15m tonnes a year, or more than 15 per cent of output.

Coal in the main German fields on the Ruhr is also getting more expensive to mine. The seams dive deeper as the miners move north. The Government, which pays the difference between what it costs to bring West German coal to the surface and the international market dollar prices has simply had enough.

It costs about DM260 per tonne to produce coal in the Ruhr, and some South African coal is on the market for under DM100 a tonne. As the D-mark has strengthened against the US dollar the problem as become much worse.

Mr Bangemann has not yet said exactly what will be done, but he probably has in mind discussions between the Government, unions and employers similar to those which recently decided to cut 34,900 jobs in the steel industry by the end of 1989.

Bonn is able to set about industries like coal and steel with some *gusto* because the accompanying big job cuts tend to affect only states where the opposition Social Democrats are in power. Nevertheless,the coal debate will be bitter.

"There are precious few old people left in West German mining to retire. In some mines, the average age is 29"

For a start, electricity prices may go up. In addition to the state meeting the price difference so that German users continue to buy German coal, the country's utilities have agreed to buy around 45m tonnes of coal a year.

A cut in subsidies could threaten this and a second indirect subsidy to the utilities - they receive a subsidy, raised as a levy on electricity bills, to compensate them for burning German coal instead of cheap imported oil. This "coal penny" is currently 7.5 per cent of electricity bills and the Government wants to cut it back to 4 per cent by 1995.

Bonn will want to move as quickly as possible to encourage lay-offs even though it has some time available between now and 1990 when the next election in North Rhine-Westphalia, the main coal-producing state, has to be held.

Chancellor Helmut Kohl's Christian Democrats have taken a hammering from the Social Democrats in the past two elections in the state, but great store is being put on the 1990 campaign. Mr Kohl recently appointed Mr Norbert Bluem, his Labour Minister, to lead the CDU in North Rhine-Westphalia and Mr Bluem knows that if he wins, he stands a good chance of succeeding Mr Kohl one day as head of the party and as Chancellor.

But if the slimming process in the mines gets messy - and the normally obedient coal miners' union has threatened to make it so - in the next few years Mr Bluem is going to have a tough time of it. There are precious few old people left in the mining industry to retire off early and in some mines the average age is 29.

No doubt the political solution will be to establish a price with the unions. Bonn got off relatively lightly in the case of the 34,900 steel jobs - that is going to cost it only DM300m with the Leander and Brussels, it is hoped, producing another DM300m. But the state is much more deeply involved in coal than it is in steel and the redundancy and retraining bill will, eventually, be correspondingly higher.

Peter Bruce
Bonn

The Daimler-Benz shake-up

Reuter at the helm

"IT IS NOT as if one era is ending and another is suddenly beginning," said Edzard Reuter, just after he had been named as the new chairman of Daimler-Benz in a long-awaited board shake-up.

Maybe not, but it seemed almost like that to many. For Daimler is no longer just a motor manufacturer, and the carefully created new leadership structure took account of the far-reaching changes under way at West Germany's largest industrial concern.

Edzard Reuter, new chairman of West Germany's largest industrial concern

Reuter's desire to play down the import of the boardroom moves was understandable, however. For much of this year, the Stuttgart-based group had hardly been out of the headlines. Employees of the diversified motor group had been clearly unsettled.

When the moves were finally announced, there was a great sense of relief at Daimler. Werner Breitschwerdt, chairman since 1983, was a man who knew all there was to know about cars, but lacked the vision, strategic insight, and self-confidence to represent his company in all its new facets. Even so, the manner of his going was certainly sad for a man responsible for such successes as the Mercedes 190 'Baby Benz.'

These days, says Herbert Lucy, head of the Daimler works council and a member of its supervisory board, the management is faced with a completely different task. The head of Daimler needs vision, as well as strategic and analytical qualities. "Here, we have more faith in Mr Reuter than was the case, for example, with Mr Breitschwerdt."

Lucy's views are important, because the unions had always backed Reuter for the top job. In 1983, they had been outvoted on the supervisory board, then headed by Wilfried Guth of Deutsche Bank, which owns 28 per cent of the shares. This time, it was Alfred Herrhausen, co-chairman of the bank, who guided the supervisory board into approving a restructured board, with 59-year old Reuter at its helm.

The other main feature of the board shifts was the appointment of Helmut Werner, one of Germany's most prominent managers, to run the truck division. Werner, 51, was chairman of Continental, the highly profitable but once ailing tyre company which has just launched a US expansion drive with a $650m takeover of General Tire.

Werner did not immediately accept the invitation to join Daimler, feeling he still had plenty to do at Continental. Carl Hahn, chairman of Volkswagen, also tried to lure him away to head the Audi subsidiary and then possibly succeed him at VW. "He is a good man," says Hahn, who also headed Conti in the 1970s. "I'm sorry I was left holding the short end of the stick."

If Werner turns round the problem-ridden truck side in an industry suffering from over-capacity, he could well be the next Daimler chairman when Reuter retires in the early 1990s. "He can build a high profile in this job in the next few years, or the opposite could happen," notes Lucy. "We shall decide in five years, or whenever Reuter retires, who takes over the leadership."

Whoever is then chosen will be in charge of a company very different from that which existed at the start of the 1980s. Still predominantly a vehicle maker, it has branched into electronics through buying AEG after its near bankruptcy a few years ago, into engines through Motoren-und-Turbinen Union (MTU), and into aerospace through Dornier. Last year, group net profits were DM1.8bn on sales of DM65.5bn. It employs 320,000 people worldwide.

Reuter played a large part in mapping out and implementing this diversification. While Breitschwerdt went along with the decisions, it was Reuter and Werner Niefer, in charge of car production, who really called the shots in the boardroom.

At this stage, it is still unclear where Daimler is headed. As explained by Reuter, the three acquisitions will help Daimler in two main ways: they will give it a closer involvement in the fast-moving developments of electronics and new materials in vehicles and they will provide new areas of opportunity, if growth in the vehicle industry stalls in coming decades.

Reuter emphasises this will all be a very long process. "We have got a fairly clear idea now of where the main areas of concentration are, but here too is a development process that will never end. Perhaps the business areas we now see as the main ones will not be so in 10 years and other people will come in and develop something new."

Son of a famous post-war mayor of Berlin, Reuter has had a varied career - from mathematics, physics and legal studies through spells with Ufa films in Berlin and Bertelsmann television in Munich to Daimler, where he rose to finance director before becoming chairman. Unusually for a German executive, he is a member of the Social Democrats. This has not harmed his career, but it has certainly not speeded it up, either.

Reuter will need all his intellectual powers - he is fond of quoting thinkers like Karl Popper and Immanuel Kant - to take Daimler successfully into the 1990s. Apart from the obvious risks of branching out into electronics, household goods, factory automation, aerospace, office equipment and defence through the three acquisitions, there is also far more potential for public criticism.

In the past, criticising Daimler was seen as almost tantamount to insulting a monarch. But the group has been sniped at constantly in the past couple of years. Apart from comment over the impending board moves, it also failed recently to gain approval for a new vehicle test site because of local opposition. Perhaps most painful of all, there were quality problems on some models.

Daimler has put all that behind it now. But its involvement in the defence sector or in South Africa means it will never be far from criticism.

Andrew Fisher

Bundespost liberalisation

A tame approach

THE ARRIVAL in Bonn at the end of World War 2 of the Federal Government has not been of any architectural worth to the city at all. Almost all the government buildings have been put up grudgingly and without care. Bonn was not supposed to be the capital for long.

Arguably the worst of the lot is an enormous white block that sits on the banks of the Rhine, just a little way downstream from the Bundestag. This is the Bundespost building.

Inside it broods the biggest posts and telecommunications monopoly in the West. It employs more than ½m people, invests around DM20bn a year, and turns over nearly DM50bn a year. Nothing moves down a West German telephone wire, nothing is connected to the ends of that wire, without the Bundespost's approval.

For years, that approval has been hard - in many cases impossible - to get. The monopoly covers everything except the supply of facsimile machines and even then it has claimed a predetermined market share for itself. The Bundespost has been the only transmitter *and* the only supplier of equipment. Producers sell to it and it leases to consumers.

Very few foreign telephones, modems, computers or telex machines find their way into West German offices or homes through the big white building on the Rhine. Until now, that is.

In September, a Commission appointed by the Government more than two years earlier to look into ways to liberalise the country's telecoms market produced its findings. Though tame by British or American standards of deregulation, they were nevertheless extremely important in Bonn.

Of some 47 recommendations, two stood out. First, that the Bundespost retain its transmissions and switching monopoly but that private enterprise be allowed to offer equipment and network services to the public. Of course, the Bundespost would be allowed to continue doing so, too.

Second, and in some ways politically more important, the Commission recommended that the operations of the postal network, which loses money, be separated from the telecoms business. Cross-subsidisation of the postal service by the telephone service should gradually be stopped.

That terrifies the three postal unions most because fewer than half the Bundespost workforce, around 200,000 people, work in telecoms but they pay the wages for the rest. Last year the postal service was fed some DM2.2bn by telecoms.

The Government has said it plans to begin implementing the Commission's recommendations - there will of course be some watering down as the proposals pass through Cabinet and Parliament - in the middle of next year. It is a prospect that must alarm some people in the Bundespost headquarters.

Imposing competition on the Bundespost will be like trying to teach a dinosaur to do the Bossa Nova. The Bundespost has never had to compete. Marketing of services and equipment has been confined to announcements on the odd billboard and leaflets wrapped around the monthly telephone bill.

Under the Commission recommendations the Bundespost would police its conduct in the open market itself, which is probably crucial if anything is ever to be done. An interfering independent authority, such as Britain's Oftel, would be very busy because potential network service operators do not believe that the Bundespost will charge itself as much for the use of its lines as it will charge them.

Senior Bundespost officials have never made much secret of their disapproval of telecoms deregulation in the US, Japan and Britain and their commitment to what Bonn seems about to do must be questionable.

Peter Bruce

Profile: Prof Erich Staudt

Lemmings can't innovate

NOT MANY professors liken themselves to a court jester, but Prof Erich Staudt suggests the similarity.

"In the days of the king, the jester was there to make everyone laugh. But he was also the only one who could really say the truth," says Prof Staudt. "I think it's not such a bad comparison."

The professor, head of Bochum University's Institute for Applied Innovation Research, is known for his caustic comments about West German research and industry. "State subsidies for high technology lead to peaks, but then there's no connection," he says. "The Ministry (of Research and Technology) talks only of more high technology, but that doesn't pay off. There's no economic context any more if you're far ahead."

Prime examples include West Germany's billions of Deutschemarks invested in atomic energy research, or chemical companies' research for new synthetic fibres, says Prof Staudt. He suggests that the latter only pay off when smaller firms discover such new fibreglass materials make a better beercase.

By stressing the use of high technology, rather than striving to be first with a new microchip, Prof Staudt finds himself at odds with research and development officials.

"What's Japan going to do with all their megabit chips? Two years later they are almost giving them to us as gifts," he says of the fierce international competition to produce more powerful semiconductors.

Not surprisingly, he finds the widespread discussion in West Germany about a supposed widening "High Tech Gap" between the country and the US and Japan as looking the wrong way at the wrong goal. It is better to ignore high tech trends and concentrate instead on new untapped areas, he suggests.

The Government's Ministry of Research and Technology in Bonn is criticised by Prof Staudt for "pushing" research into technologies where the US and Japan already have a clear advantage. The result, he claims, is a march of national research institutes like lemmings into saturated market areas, producing new over-capacities already evident for such products as butter, steel and personal computers."

"Our technology policy makers love to base their policies on this High Tech Gap. And when I'm in Japan, businessmen put their arm around my shoulder and talk about 'poor old Germany, so far behind.' But when they talk about microchips, I say show me the pay-off on investment. Then they quieten down," says Prof Staudt.

Professor Erich Staudt: "show me the pay-off on investment"

Making high-tech investments pay off will be easier for West Germany once the Common Market is a reality, he says. The lowering of interior borders will create a domestic market of 300m Europeans with a dynamic of its own.

"Then all this 'Gap' discussion will end. And our extreme export dependence would also be reduced," argues Prof Staudt.

West Germany rates as the world's leading export nation (1986: DM526bn). But the outside pressure from developments in the US and Japan is necessary "since without them, nothing happens."

Prof Staudt's institute, financially supported by Nordrhein-Westfalen, employs 14 researchers to conduct its surveys and advise West German companies. One of today's most frequent requests is for help in retraining personnelto meet the demands of new technology. Considering the heavy concentration of Ruhr area steel and coal companies around Bochum, the institute has more than enough to do.

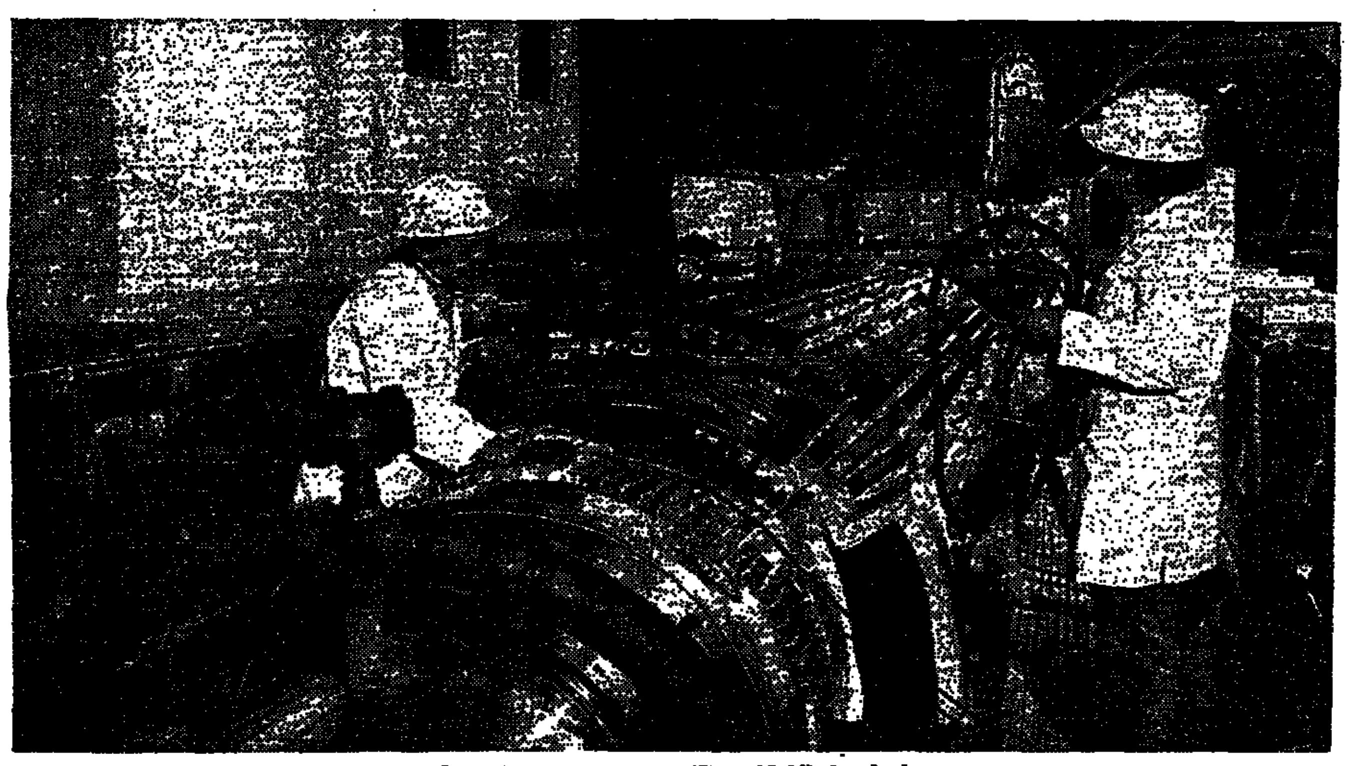
For all his pessimism about government-led research efforts, Prof Staudt remains optimistic about West Germany's future. The virtual stop in hiring by the 13 national research centres, 59 Max Planck Society institutes and 34 Fraunhofer Society institutes which together account for 25,000 staff jobs, will be good for small to medium-sized firms, he suspects.

With the government and big industry-sponsored researchcentres "clogged up, we now have a latent technological potential developing," says Prof Staudt. "That makes me optimistic."

The job pressure forcing younger researchers into small- to medium-sized firms should also lead to more risk-takingand trial-and-error research. Smaller firms required production and market-oriented efforts designed to pay off in increased sales.

By pointing out the need to innovate rather than copy the world's latest high-tech, the professor and his institute are hardly in the mainstream of West German research. But Prof Staudt seems convinced that "just because most people disagree with you doesn't mean you're wrong." Kings laughed at court jesters, too.

Dennis Phillips



Assembling generators at KWU's Mulheim plant

Spending on research

The push for co-operation

NO COUNTRY in Europe matches the spending on research and technology of the West German government and industry.

Helping West Germany become the world's leading export nation, the multinational car, chemical and machine-tool companies regularly invest 5 to 10 per cent of their revenue in research. This year such private R&D efforts are expected to total almost DM36bn.

The national government paid for another DM12bn worth of research, three-fifths of it for the Ministry for Research and Technology, the rest for the Defence, Education and Environment ministries. But Bonn officials realise that their efforts alone cannot match the spending of the US or Japan.

"The scale of today's research and technology requires co-operation between companies and countries for areas such as aviation, space and nuclear power," says Mr Josef Rembser, director of international co-operation for the Ministry for Research and Technology.

Even then, the resulting end-product "only pays off if you have a large market. So the push for co-operation is stronger for Europeans than for America or Japan," says Mr Rembser.

That "push for co-operation" will soon be evident as the Common Market decides on how to fund future plans of the European Space Agency (ESA). West Germany plans to increase government spending on space research next year by 10 per cent to DM1.2bn, one-sixth of the Research Ministry's total 1988 budget.

ESA is pushing for its manned space flight programme to include the bigger Ariane 5 launcher rocket and Hermes-shuttle space craft, plus "Columbus," the European space lab designed as part of America's planned space station. West Germany's total space research bill to the end of the century could come to more than DM 30bn.

"The question is: is it smart to concentrate so much money in this fashion?" asks Mr Rembser. In addition to the money, the three linked space research, programmes would also require large numbers of scientists and researchers, perhaps limiting research in other fields, he points out. It seems likely that West Germany will support the ESA long-range space programme for all three areas, but limit the budget to a more affordable level, Mr Rembser suggests.

"We could change the programme to adapt to the financing available within a certain time frame. This might mean taking 30 years instead of 15, or double the time ESA envisaged."

West Germany's Research and Technology Minister, Mr Heinz Riesenhuber, has said that 20 to 25 per cent of his ministry's budget could eventually go on space research programmes. The idea does not appeal to many of West Germany's top industrialists.

The Federation of German Industry in Cologne has warned against increasing funding for outer space research if it means limiting research funds for West Germany's medium-sized companies. Mr Heinz Harnisch, research director at chemical giant Hoechst, argues that funding space research is "a roundabout way" to benefit German industry.

The Government's reasoning that space-based research findings also have other applications was described by Mr Harnisch as "a somewhat adventurous acrobatic trick."

Realising the limits of national financial support was the main reason that West Germany, despite its avowed support for international co-operation, adamantly opposed a majorincrease in EC funding for Community-wide research programmes in 1987-91. German officials first want to see more effort from governments to improve national R&D spending, says Mr Rembser.

He sets down a stack of Research Ministry studies on the conference table in his office. One survey shows West Germany's total R&D spending is 2.9 per cent of its gross national product, followed by Britain, France and Holland in that order. At the other end of the linear graph are Greece,Portugal, Spain and Ireland, each spending far less than 1 per cent of GNP on private and public research.

More effort must be demonstrated by these countries' own industries and governments before the EC tries to paper overthe R&D gap with its funds, suggests Mr Rembser. "The European Community is not a replacement for a minimal national research and development policy," he says.

On the other hand, West German officials strongly support programmes such as Esprit, which has led to the formation of hundreds of European research groups. The next five years should stress such cross-border efforts, says Mr Rembser.

"The EC money is a stimulus for co-operation. It's not to finance projects, but to bring partners together."

Other major projects, such as Geneva's European Organisation for Nuclear Research, Grenoble's European Synchrotron Radiation Facility, and the European Trans-sonic Wind Tunnel at Cologne, demonstrate an EC willingness to work together on basic research. Of the estimated 610,000 West Germans working with science and technology, 35 per cent are scientists involved in research and development, says Mr Rembser, who is the West German official responsible for international research.

The initial European emphasis on basic research issues is slowly switching to product development, thanks to newer programmes plus an awareness of the US and Japanese challenge. The initial priority issues of coal and steel, atomic energy and agricultural policies remain important, but things will change dramatically in the next decade, Mr Rembser predicts.

Already an estimated 70 to 80 per cent of West German researchers are involved in international co-operation of one form or another, he says. Some wide-ranging and expensive research questions, dealing with atomic energy and environmental issues, required a common effort.

Science and technology is also used to shapeinternational politics, such as greater co-operation between West and East Germany, as well as with the Soviet Union and other Eastern bloc countries, says Mr Rembser. This was one of the first areas mentioned following restoration of diplomatic relations with Albania earlier this month, he noted.

The basic interests of West German industry - trying to stay competitive by turning out high quality products from high productivity factories - have helped the country create leading research and development teams in several areas. The trick now is to mesh these interests with the other European R&D efforts to produce a stronger European Community.

Dennis Phillips

Culture in the cities

Merchant shrines to art

TRAVEL WHERE you may in Germany, you are never far from a masterpiece - of art, that is. Praise be to the princely courts of the eighteenth century, and the bourgeois philanthropists of the nineteenth, for having founded countless public collections. Blessed also be today's federal states and their cultural sovereignty for continuing to build museums on an impressive scale.

In Munich, dreams of Italy and Greece pervade the museum architecture of King Ludwig I. The Koenigsplatz is his Parthenon, housing the delicate *temple sculptures of Aegina* and classical vases behind Corinthian porticoes.

The war-ravaged *Alte Pinakothek* treasures his German and Italianzold masters and a plethora of voluptuous Rubens canvasses, while opposite,the *Neue Pinakothek*, now rebuilt in postmodern style, stores deep-spirited 19th century pictures of the craving for Italy and the purer Middle Ages which was engrained on the German soul for so long. If, in turn, it makes you crave for a whiff of English air, note that the same gallery is now the only one in Germany which has in recent years built up a respectable collection of Gainsboroughs, Reynolds, et al.

Berlin, ever the arch rival of Munich, built neoclassical art temples in rather sterner Prussian fashion, though not many survived destruction. Most of the art treasures did, however, and they will leave you in a daze as you wander from the Olympian shrine of Pergamon on East Berlin's "Museum Isle", to Van Eyck's "Madonna in the Cathedral" or Titian's "Venus and the Organ Player" in the *Gema ldegalerie* in Dahlem.

The great merchant cities are veritable storehouses of art. Frankfurt lines up splendid museums along the banks of the river Main, from the new and unique museum of architecture to the "Staedel", founded in 1816 by a banker, unsurprisingly. At the top of the stairs Goethe reclines amid Roman ruins in Tischbein's portrait, by now a kind of icon of Frankfurt. In the centre of the city, Goethe's birthplace, though entirely rebuilt, still manages to convey a spirit of the age, especially if you extend your visit to the attached gallery of the art of the Goethe-age. The splendidly theatrical "Nightmare" by Fuseli reflects the "Storm and Stress" which Goethe left behind when he settled at Weimar. For an insight into the classical epoch inspired by the poet you could travel to the far too little known Schlossmuseum of Oldenburg, where Tischbein in the service of the granduke put together an array of Italian late baroque masterpieces. From these he extracted an anaemic style of his own, exemplified in a picture of strong-bodied hunters called "The Prowess of Man".

Cologne, never short of civic benefactors, now has its hypermuseum by the cathedral, named after Wallraf and Richartz, 19th century collectors of seemingly innumerable Gothic altarpieces of the Cologne school and many delightful Dutch landscapes, and after Ludwig, who packed it to the roof with Pop art and *Neue Wilde*. You might recover your stamina on a boat trip down the Rhine to *Duesseldorf*, where the ponderously named State Collection of North Rhine Westfalia not only sports a much debated piece of modern museum architecture, but also a handpicked cross-section of modern classical masters, from choiciest Gauguins and Klees to a gripping wartime-vision of Max Beckmann. A visit to the similarly orientated Folkwang Museum in Essen could logically follow on from there.

No Ruhr city nowadays wants to be without an attractive new museum, though the quality of the architecture does not always match that of the collection. Try Moenchengladbach for instance, or the Clemens Sels Museum next to the old town gate in Neuss, where collecting in the 1950s concentrated on German "Nazarenes" and English Preraffaelites. Hamburg's *Kunsthalle* is the place to go for an insight into Northern Romanticism, found in foggy sea and mountain pictures by Caspar David Friedrich and the contrived innocence of Runge's stolidly symbolical "Morning". The Kunsthalle's most celebrated director, Alfred Lichtwark, commissioned Vuillard and Bonnard to paint scenes along the still pleasant Alster river. It's a short hop on the train to the unspoilt city of Luebeck which seems to have turned itself into a museum, including one of its brick-gothic churches treasuring the luminous "Resurrection of Lazarus" by Tintoretto.

The former court cities of Kassel, Darmstadt and Karlsruhe seem to have fallen into oblivious slumber instilled by insurance offices, high courts and provincial governments, but they maintain their lay-out centred on palatial residences housing rich collections. Schloss Wilhelmshoehe in Kassel has some of Rembrandt's most darkly glowing canvasses as well as Titian's enigmatic "Portrait of a Duke".

The Karlsruhe Schloss flows over with woodwork, porcelain and other crafts and in the Kunsthalle you will be amazed to find an impressive modern classics collection financed from the proceeds of the state lottery. Darmstadt, which has on the *Mathildenhoehe* something of an art noveau city, also keeps delightful artefacts of that floral period in its Landesmuseum.

Art Nouveau carved a corner out of the baroque chess board pattern of nearby Mannheim for a fountain square and the Kunsthalle, where ,in what has been a necessarily over-selective art trail through Germany, you can steal a hushed glance at Cezanne's "Smoker" and Manet's coolly observed "Execution of Emperor Maximilian of Mexico"

Gunter Kowa

Peter Ludwig is Germany's most conspicuous art collector

The chocolate tycoon with a controversial taste

A MAN whose presence it is difficult to overlook, in more senses than one, Peter Ludwig is, at 62, Germany's most conspicuous art collector. With his stout and portly figure and mildly patronising manner, he looks rather like the archetypal *Wirtschaftswunder* magnate. Indeed, he is the head of a leading confectionery concern.

But in a dozen art museums in Germany, including some in the East, as well as in Basle and Vienna, Mr Ludwig is there with gifts, loans and foundations. Cologne has a vast new museum named after him, right next to the cathedral.

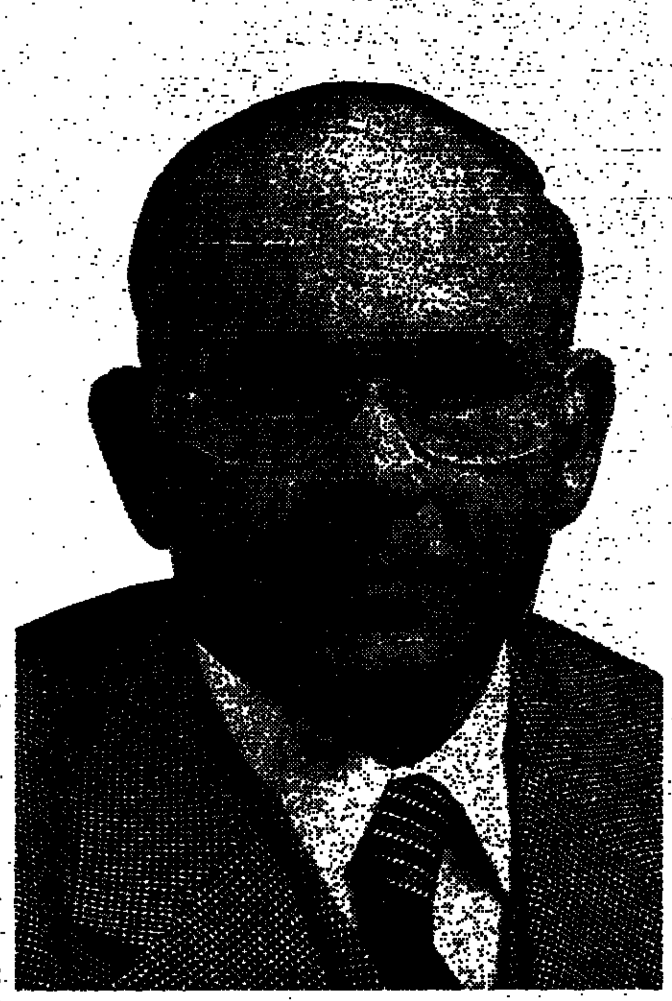
The centre of his operations is Aachen where, needless to say, there are museums bearing his name. Mr Ludwig was in fact born in Koblenz in 1925 into a family of industrialists with links to the Klockner steel dynasty, and he studied the history of art in Mainz, graduating with a doctoral thesis on Picasso.

When he married one of his fellow students, Irene Monheim, in 1951, she brought with her the wealth of a family of chocolate manufacturers who owned the "Trumpf" factory in Aachen. The couple shared an interest in art collecting. Indeed, Mr Ludwig likes to talk in the plural and to stress his and his wife's academic background as a "sound basis for art collecting, which we always do jointly."

The Aachen factory meanwhile grew into an international concern which both families sold to Jacobs-Suchard last year, with the couple retaining the German brands in 100 per cent ownership. Currently the renamed Ludwig Schokoladen GmbH has a turnover of DM550m and about 1,200 employees.

The Ludwig art concern grows by hundreds of objects each year, financed from the family fortune and presumably also by some of the company profits, but Mr Ludwig declines to specify any sums. That habit seems to have raised suspicions with the fiscal authorities - an investigation for possible tax evasion is under way.

Otherwise he is only too pleased to talk at length about the history and spirit of his collector's drive. There is none of the obsessive seclusion of a Paul Getty or the groomed suavity of a Thyssen-Bornemisza. "And of course, my financial means bear no comparison to theirs," he says.



Peter Ludwig: benefactions to more than a dozen museums

The collection began conservatively with ancient pottery, illuminated manuscripts, pre-Columbian figures and classic porcelain. In the 1960s the Ludwigs discovered pop art *for* themselves and brought back from New York canvasses by Rauschenberg, Johns, Liechtenstein, Wesselmann and others. When these pictures went on show, Cologne negotiated with the Ludwigs and snapped up the lion's share by promising to build a museum.

As the list of benefactions grew, Mr Ludwig was showered with civic medals and honorary degrees. But opposition rose up with a vengeance when he suggested creating a 'National Art Foundation', mingling his collection and public money to assist museum funds. Fears by museums that Mr Ludwig might force his cultural taste *on* them helped to thwart the idea in Germany, but it made more headway in Austria, and the Ludwigs have in the Aachen headquarters their own, high-minded "Foundation for Art and International Understanding," funded with DM27m.

Mr Ludwig maintains that he shares his wealth with the community at large by placing his collection at the disposal of museums. "There are never any strings attached to my donations; that museums were built for them was the decision of the cities concerned. I refuse all financial favours, nor do I influence museum policies." But there are persistent rumours that he did push through certain appointments at least in Vienna (while the gallery director at Cologne distances himself from Mr Ludwig on various counts). Critics also call his judgment into question and lament the overcrowded display in the Cologne museum.

Mr Ludwig's self-professed "art mission" sailed into troubled waters when he toured the Soviet Union, Bulgaria and East Germany in the company of state officials buying up approved art. "We in the West have ignored this kind of art too long", he argues, but opponents have gasped at his co-operation with the authorities, leaving the dissidents out in the cold. Some cynics have it that the chocolate concern arranged Eastern bloc contracts by this kind of cultural diplomacy, a charge which Mr Ludwig strenuously denies.

Even more problematic are Mr Ludwig's recent public statements on Nazi art. A large shipment of this embarrassing stuff has been returned to German museums from America, but has gone straight into security vaults. Mr Ludwig has called for free access. "Let the public form its own opinion," he says.

He sees nothing inherently wrong in "official art" and does not accept that former Nazi propaganda is implicated with guilt. The critics finally put him in the doghouse when he and his wife had their portraits sculpted by 86-year-old Arno Breker. Breker was one of Hitler's favourite artists, glorifying the master race in muscular giants. "He was never a committed Nazi; he did what he was told. In Paris he was a friend of Cocteau and Maillol. It is time to come to terms with that period, bad enough as it was".

Peter Ludwig has progressed from being a major benefactor of museums to becoming a highly political figure in German cultural life.

Gunter Kowa

The German language

Spread of Deutschlish faces ein reversal

WEST GERMANS have long been used to an invasion of foreign words into their language - and even take a certain pride in it. Street-corner stores selling bread or wine these days are considered a great deal more *chic* if they are called a *Brotshop* or *Weinshop*.

An executive is now called on to *managen* his business and knows only too well that he will become successful as *der Boss* only if he gets right *das Marketing*. If he runs into *ein Setback* it will be very little use simply telling *der Board* to use the somewhat flippant Anglicism in ever greater use, that he is *sorry*. He could simply end up *fired*.

Is the tide, however, now starting to change? There is as yet no hint of any official drive against foreign words and idioms of the kind sporadically launched, with very little success, by French governments in recent years.

But the Bonn Government has woken up to the danger that, with the progressive erosion of the language, fundamental parts of the German cultural edifice are being chipped away.

In the immediate decades after the war, that did not matter so much. Indeed, it can be said that Germans opened their arms to the new foreign glossary, above all Americanisms, to portray a mood of modernism and help wipe away the overblown and finally hideous nationalism of the Third Reich.

This has now changed. Mr Barthold Witte, the urbane head of the cultural policy department of the Foreign Ministry, says that growing interest in the preservation of the German language reflects "a process of rediscovery of national consciousness".

The Government's campaign against the deterioration of the language is fought on both a domestic and an international front. It reflects not so much linguistic pedantry as the belief that a thriving language with a foothold abroad can be used as an instrument of foreign policy.

On the one hand, officials like Mr Witte are alarmed at the progressive decline of German language teaching standards in schools in the Federal Republic.

The Bonn Government has realised that large parts of German culture are being chipped away

Partly a result of the increasing importance of technical subjects in school curricula, this has contributed to falling precision in German grammar and sentence construction, particularly among young people. A counterpart is increased sloppiness and use of meaningless *Amtsdeutsch* (bureaucratic German) by politicians and other public figures.

Following the post-1968 education reforms, it was thought in the 1970s that one didn't have to bother about the language, says Mr. Witte. The Government is now trying to reverse the process. Bonn's manoeuvring room is limited by the country's federal structure which gives the *Laender* control over education. But a conference of Culture Ministers from the *Laender* finally agreed at the beginning of this month, after two years of discussion, to upgrade the teaching of German as part of restoring the importance of basic subjects in school curricula.

On the foreign front, Bonn is mounting an increasing effort, if not to improve, at least to stabilise the use of German as an international language. Of the Foreign Ministry's DM850m annual cultural budget, half is spent on promotion of the language through a variety of methods ranging from support for schools and specialised institutes to film and book programmes.

Mr Witte says that, after the war, German diplomats and businessmen abroad fell over backwards to speak other peoples' language. "The Germans of my generation had to prove that we were human beings like anyone else, not monsters. This repulsion against chauvinism was perhaps overdone."

Now that the Germans have regained self-confidence in recent years, there is a feeling that "German has its place in the world too."

All the political parties, with the exception of one or two fringe elements in the Greens, give support to the Government's policies of trying to stiffen German language teaching abroad. One sign of the new mood is that the Goethe Institute, with 135 foreign offices the chief instrument for propagating German culture abroad, has just been given permission to open up in Peking. It will be the first such foreign cultural institute to do so.

But is it all too late? Around 15m young people are estimated to be studying German in schools abroad, and 1.4m high school students. In 1979 the respective figures were 16m-17m and 1.2m.

The Foreign Ministry classifies as "falling, stagnating or unchanged" interest in learning German in most important industrialised countries - although there does seem to be a modest German language revival in some southern European nations such as Spain, Portugal, Yugoslavia and Turkey.

The new rapprochement between East and West Germany, though too late to enable German to become an official language of the United Nations (a chance missed in 1973), could open up new intriguing possibilities of co-ordinating promotion of the German language abroad.

Meanwhile, it is up to the politicians to give a lead - and their example at the moment is not very encouraging. The new joint military entente, for instance, between France and West Germany is doubtless of great significance.

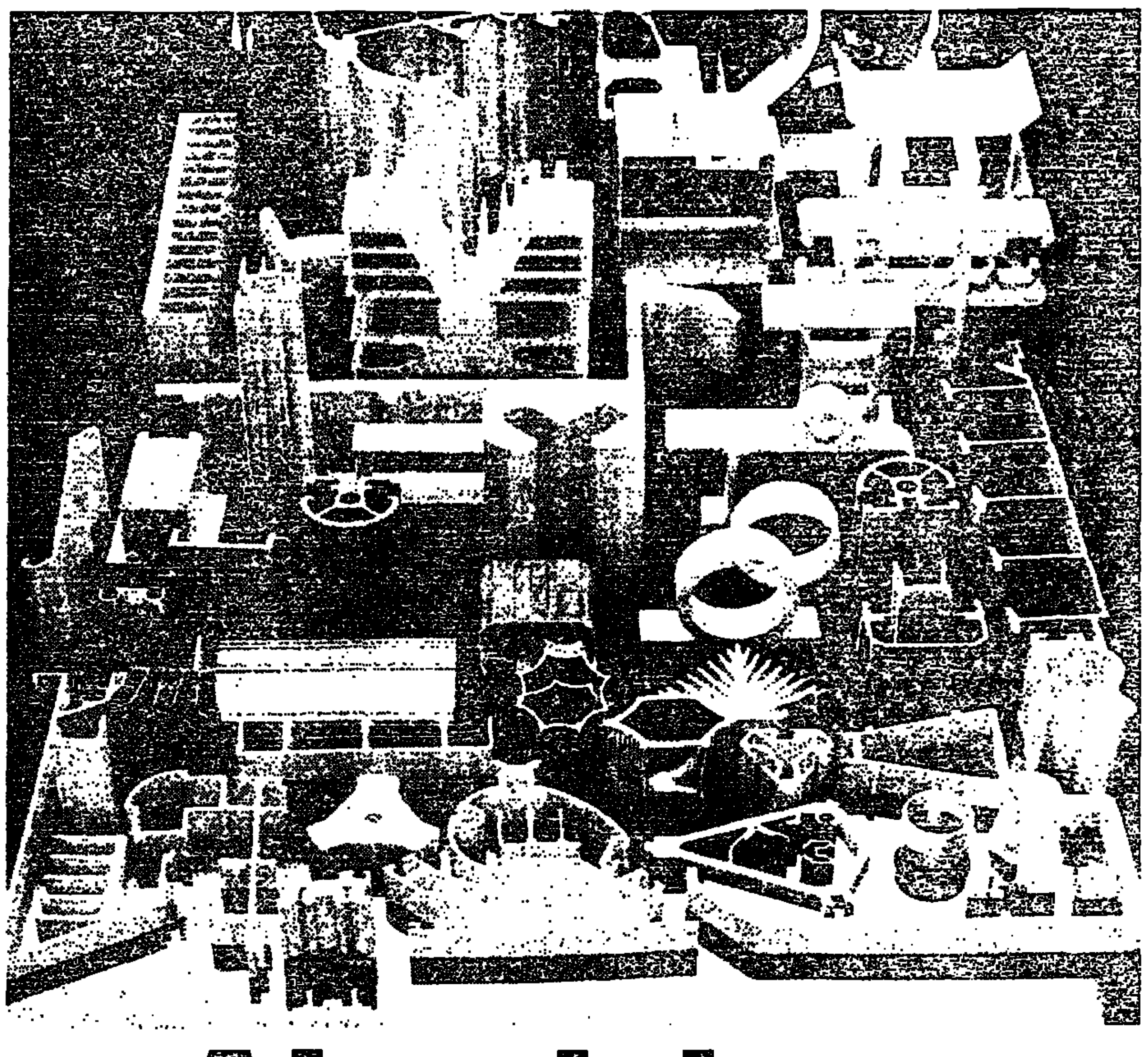
But President Mitterrand and Chancellor Kohl communicate only through an interpreter - and their top officials speak to each other not in either French or German, but in English.

David Marsh

SECTION IV

FINANCIAL TIMES SURVEY

Producers have been working hard to meet demand for the metal but are finding dramatic price shifts hard to live with. Their fear is that the market could slip into cycles of glut and shortage. **Nick Garnett** reports.



Aluminium

CONTENTS

Plant back on stream

THINGS HAVE certainly been going the aluminium producers' way during the past year. The price of raw metal has rocketed, stocks have fallen and a lot of mothballed and so-called "swing plant" capacity, especially in the US, has been brought back on stream.

This is putting an unpleasant cost squeeze on downstream fabricators. But at first sight it looks like nothing but good news for the big primary aluminium companies, now beginning to see the benefits in their bottom line profit and loss figures.

Before the price volatility of last week, the jump to a Metals Week price of 86 cents per pound at the beginning of this month as against 56 cents a year ago was nothing short of dramatic.

But many in this global industry believe the aluminium business could be living on another knife edge of instability which has plagued it for so long.

"The key focus is volatility," says Tony Bird, the London-based metals analyst. "Prices have been much more volatile in recent years. That increased volatility will continue and might get worse. There is a serious danger that the industry will get sucked into a boom, slump, glut and shortage cycle that it just cannot get out of."

From the outside, the aluminium industry looks very orderly. Demand in terms of tonnage is growing steadily if rather slowly at a few per cent per annum, its products destined for a wide range of applications from beverage cans to construction, car engines and aircraft components. Total production outside the Communist bloc is expected to be about 12.8m tonnes this year.

Large amounts of capacity were shut in the late 1970s and early 1980s but new and efficient potlines are coming on stream. New smelters include the Angul plant in India, Portland in Australia and Belem, Brazil.

The long-term decisions on closing, re-opening or building new smelters though have always been tough ones. This was underlined only this month when Alcoa announced it was restarting part of a smelter in Texas which it had earlier announced would remain closed.

Observers who see the present conditions in the industry as unsustainable believe a number of factors have been pushing aluminium in one direction and are bound to store up trouble.

These include the increasing influence of the London Metal Exchange, which tends to magnify the effects of excess demand or supply, and the variable power contracts in the US. By tying power prices to aluminium prices, these contracts can help smelters but they also make their owners potentially less responsive to cyclical demand changes.

Two trends which have emerged over the past few years continue to affect the industry. North American plants, once by far the highest-cost smelters, are now much more in line with the rest of the world. The marginal, high-cost facilities are to be found, if anywhere, in Continental Europe.

This is particularly so for West Germany where the position of VAW, its indigenous smelting company, looks increasingly difficult.

At the same time, the position of Alcan and Alcoa remain secure at the top of the tree but the eight or so aluminium companies below them continue to jockey for position with the younger companies continuing to gain strength.

As part of these realignments, Alcoa, which last year said it was aiming to reduce its dependence on the metal from 85 per cent then to 50 per cent by the middle of the next decade, seems to have changed its tack.

Mr Paul O'Neil, the 51-year-old outsider who took over as chairman this year from Charles Parry, has made it clear that improving the company's profitability is the priority rather than diversification.

While acknowledging the value of moving into fibre optics, ceramics and plastics packaging as Alcoa has done in recent years, he has set a goal of achieving a 15 per cent return on investment, about double what Alcoa is managing right now.

Kaiser Aluminium which recently fell under the control of Alan Clore, the British investor and is now emerging from a long spell of losses is continuing to reshape and reduce its businesses.

In the past year or two it has sold its Voerde aluminium smelter in West Germany to Hoogovens and has reduced its stake in the Anglesey smelter by selling shares to RTZ. It has also opened discussions on the sale of its quarter share of Hindalco's big smelter at Renukoot, India and is looking for possible partners for two of its US rolling mills.

However, Kaiser's competitors do not believe this is a full-scale retreat from aluminium. Kaiser has been divesting more of its non-aluminium businesses and has given no sign that it wants to give up its two US primary smelters.

Alusuisse is still on the path of reducing its smelter capacity, trying to reduce its cost base by removing older and less efficient capacity. No longer interested in being one of the bigger producers of primary metal, the trouble for Alusuisse is that whatever is left after this closure programme is still relatively high-cost capacity. The company though was in the black in the first half and is predicting a profit for 1987.

It closed half of its smelter at Chippis in Switzerland this year, keeping the other half running, at least while the metal's price holds up. It has also reduced its stake in a Norwegian smelter at Husnes.

Alusuisse has also indicated that it will not be involved in the building of new smelting capacity in Iceland where it owns the Isal plant. The Icelandic government is considering building a new 200,000 tonnes smelter which would tap into the Isal infrastructure.

Last year the Swiss company extracted itself from the Ormet smelter in Ohio and this year has closed a third of the capacity of its Rheinfelden smelter in West Germany.

Hydro of Norway, the real growth company in aluminium in the past couple of years, appears now to be in a consolidation phase. Its purchase of ASV of Norway and last year's acquisition of much of Alcan's European extrusion plants made it Europe's largest aluminium producer and one of the continent's biggest extruding businesses.

The Commodity Research Unit, the London metals analysts, believes that welding these businesses together could take up to four years.

Meanwhile, Norsk is still showing its acquisitive streak, seeking a share of the Worsley alumina refinery in Australia.

Norsk traditionally buys alumina on the spot market but with the current price changes flowing through the industry, analysts believe refinery ownership would be a good move for Norsk.

Reynolds of the US is continuing to spend a lot of money on downstream activities, including its can lines. It has also just installed its first commercial-scale casting plant for lithium alloys, a facility which Alcan also has and which is now taking the aluminium industry slowly, if surely into new high tech areas.

Pechiney completed most of its restructuring two years ago. It confirmed this year though the sale of a quarter share of the Becancour smelter in Canada in which it now has just a 25 per cent stake itself. Due for privatisation, Pechiney announced in September a doubling of its first half net profits.

Japanese primary smelting continues to shrink. The closure of the Sakaide and Miike smelters this year left Nippon's Kambara plant as the only operating primary smelter.

Unlike Alcoa, Alcan's policy has been to remain a bulk commodity supplier of aluminium. With the way prices have been going, this has certainly paid off during the past year, putting a big smile on the face of Alcan executives.

They were once told by large sections of the industry that they should follow Alcoa and get out of the aluminium bulk commodity business. The company has put up for sale its high-cost Ludwigshaven plant in West Germany.

The aluminium price has given a real lift to the "born again" plants. These smelters include the former Alcoa Vancouver smelter in Washington State and Goldendale, sold by Comalco. An analysis by Shearson Lehman Brothers points out that five of the US smelters which have restarted idle potlines take their power from the Bonneville Power Administration. This introduced a variable power rate last August.

Some of these smelters have resumed life as tolling plants, processing aluminium which is in the ownership of another company. "This does not necessarily secure the long-term future of these plants," says Nick Mason of the Commodity Research Unit.

At the downstream end, extrusion continues to make ground as a consumer of primary aluminium as it has done for nearly ten years.

Mr John Bridgeman, managing director of the extrusion division of British Alcan says extrusion now accounts for 30 per cent of primary consumption. This is still way behind rolling which probably accounts for 50 per cent of primary consumption.

But aluminium has a tough battle on its hands for new outlets.

Worldwide demand

The value of swing capacity

SMELTERS worldwide are working at almost full capacity trying to keep up with demand. Indeed, some producers are now bringing on capacity that had already been totally written off in the belief that it would never restart and they could be said to be producing at more than 100 per cent of their rated capacity.

Alcoa and Kaiser were the latest to join the restart syndrome earlier this month with the reactivation of the Rockdale smelter (Alcoa-owned, 105,000 tonnes/year capacity) and a half potline at Ravenswood (Kaiser-owned, 41,000 tonnes/year per potline).

High prices and little sign of an end to current high levels of demand are prompting companies to reappraise their restructuring plans, set in motion as recently as 1985 in the case of Alcoa which aimed to close permanently 25 per cent of its smelter capacity.

A great deal of time is spent in the aluminium business identifying those smelters that might be described as "swing capacity", liable to swing out of production when prices fall and back again when they rise.

One reason swing capacity is so important is the accepted wisdom that primary aluminium ingot prices must bear some direct relationship to the price at which swing capacity is viable. The rest of the industry can plan its futre on the basis of the swing capacity price range.

If, for instance, there happened to be 1m tonnes per year of smelter capacity available to come into operation at prices above 85 US cents/lb, that would be assumed to be the natural top for the market and nobody would build a smelter in the hope of continued prices above 85 cents.

If there was another 1m tonnes of capacity which must close at prices below 60 cents, that would be said to be the bottom of the market, unless demand dropped dramatically. So there are essentially two categories of swing capacity; in a rising market those smelters which might swing into production and cause over-supply are crucial.

In a falling market, they will close first, and then, of more importance are those smelters, still high up on the list of relative costs but not quite at the op, which might swing out and leave the market short. In theory, the presence of swing producers should define a range within which the market will operate and should ensure an average position of balanced supply.

Growth Rates in Aluminium Consumption, 1982-86

	Consumption (thousand tonnes) 1982	1983	1984	1985	1986	Average annual growth rates (% per annum)
Mature economies						
North America	3947	4468	4884	4645	4678	−1.3%
Western Europe	3652	3793	3936	3959	4155	+1.0%
Japan	1839	1801	1744	1816	1884	+0.6%
Australasia	236	285	297	318	272	+1.8%
Total of above	9474	10,345	10,861	10,738	11,189	−0.1%
Other economies	1398	1659	1721	1943	2136	+7.1%
As a % of NSW	12.9%	13.8%	13.7%	15.3%	16.0%	
Non-Socialist world	10,872	12,004	12,582	12,681	13,325	+0.8%

Source: Shearson Lehman Brothers

However, some aluminium producers are beginning to question the importance of swing capacity as an indicator of market balance.

The reason is that for some years all major metals prices, not just aluminium, have been seen to be production driven, a legacy from the 1970s when minerals shortages were being predicted and oil profits were used to build up metals capacity.

In the event the shortages never materialised and the resulting over-capacity has been more important in the metals markets than any factors on the demand side of the equation. Until now, that is.

The aluminium price is at seven-year highs, and almost daily breaches yet another chart barrier. Yet the production industry is operating at or close to capacity and cannot cope, by its own admission, with demand.

For example, aluminium window frames are in big demand in Japan where housing starts are up, stimulated by efforts to spur the domestic economy. The aluminium beverage can is making rapid gains in the Far East and continues to increase market share in Europe and, to a lesser extent, in the US where it originally took off.

The problem facing the producers is not whether swing capacity will come back on stream and force prices down; there is simply not enough around to knock the market on current demand levels, but whether it should affect long-term investment decisions based on current demand and current prices.

With an ingot price above 80 cents the capital costs involved in putting in new capacity can be recouped. The producers must decide whether the price will stay high.

Interestingly, it could be that there is still uneconomic capacity in operation - producers who will not be saved even by the current rampant bull market. When next year's rash of company reports comes out of detailing 1987 results, most expect to see profits for the North American producers, and of course for the South American companies. But Europe could be a different story.

Aluminium is a dollar-denominated market, and high dollar prices do not necessarily translate into such spectacular gains in local currency terms. Alusuisse is still pressing ahead with a a planned reduction of primary capacity.

France's Pechiney has already cut domestic capacity and any aluminium profits are likely to come from offshore projects, according to most analysts. British Alcan professes itself "not unhappy" with current prices, but cannot be anything like as happy as its Canadian parent, Alcan.

In short, the industry would not be surprised to see cuts in European capacity, particularly on the Continent. Those cuts would be more than likely compensated by increased capacity in Venezuela, which is aiming to install some 2m tonnes/year of capacity under an investment plan already under way.

However, in a report published earlier this year, UK-based analyst Anthony Bird forecast that existing plans for new smelter capacity will not be sufficient to mee demand in the 1990s. His prediction is taken seriously by the majors in North America, who would dearly love to instal more capacity but remember only too well burning their fingers after the last round of investment in capacity.

"There will be no more big projects in North America. From now on we will build in phases, 50,000 tonnes at a time and testing the market as we go. The days of a million-tonne project are well and truly dead," asserts one of the majors.

In any case, some producers suspect current prices cannot last. There is a time lag between high ingot prices and high product prices. When the product prices catch up, the market faces its first real test of consumer resistance, and producers believe products will catch up by the first quarter of next year.

There are other short-term factors keeping prices high. Alcan is negotiating labour contracts in Quebec, Alumax is negotiating at Intalco. About 900,000 tonnes of capacity is therefore operating under the shadow of potential labour disruption and the market has assumed the worst.

If no strikes materialise, and Alcan points out it took eight, strike-free, months to negotiate its labour contracts in Quebec during the last round of talks, then prices could fall.

Droughts have reduced hydro power and cut production in Brazil and Indonesia, affecting maybe 100,000 tonnes of production this year. If the rains come, there will be more metal available next year.

In the shorter term, prices could fall back because of these production factors. But the underlying trend away from production-driven to consumption-driven prices suggests the price does not have so far to fall before it hits the safety net.

The Bird forecast haunts the producers who are keen to show themselves to be reliable long-term suppliers. There may still be some bloodletting among the high-cost producers in Europe, but elsewhere the difficult era of capacity cutbacks seen earlier this decade should not be re-enacted. What is more likely is a difficult period of heart-searching before capacity is increased.

Martin Abbot

Martin Abbot is Joint Editor of Metal Bulletin

Power costs

The utility of trigger prices

ALUMINIUM is very much an energy product, and power costs are the most significant factor in most aluminium producers' overall cost structure. It was without doubt the high cost of energy in Japan that forced the near total permanent closure of that country's smelting industry in the last three years.

Raw materials costs - setting aside power - and labour costs have been hardly significant in determining which sectors of the world aluminium industry have survived.

In the case of the Japanese smelters, for instance, average power costs were around 55m/Kwh. In the US, the figure is nearer 24m/Kwh and in the power-rich Gulf states 3m/Kwh is the norm.

It is hardly surprising given the importance of power costs to producers that aluminium smelters worldwide have sought to find a way to reduce not only consumption, but also the amount they pay for their power supplies. Variable power rate agreements have become the common means of containing costs.

In a typical power rate agreement a smelter will agree with its power authority to pay a minimum price for power, with that price being linked to the price of primary aluminium. As the aluminium price rises above the trigger point, the price of power rises, and some agreements include a maximum power price linked to a second aluminium trigger price.

The trigger prices agreed are usually adjusted throughout the life of the agreement according to a pre-arranged formula designed to deal, even if crudely, with changing cost burdens at both smelter and power utility.

There is general consensus as to the reason variable agreements became so popular this decade and now account for about 25 per cent of world smelter capacity. Robert Geldstein, of the Commodities Research Unit, summarised the reason in a presentation to a Metal Bulletin aluminium conference in San Francisco last year.

"The answer lies in the economic circumstances in which a surplus of aluminium smelting capacity has been combined with a surplus power generating capacity in many regions of the world."

A clear case of mutual back-scratching. If the smelters, which mostly would not have been viable without cut-price power, were to shut down then the utilities, which were having trouble selling their power anyway, would be left with even more capital-intensive capacity idle.

Most of the agreements have been concluded in North America, including the Bonneville power region around the north-west Pacific region of the US and Big Rivers power area in Kentucky. Some of the smelters involved have become almost synonymous with swing capacity: The Dalles, Goldendale, Vanalco and Meade.

The question that perplexes the aluminium industry is just how far variable power agreements have distorted the shape of the industry through encouraging volatility in prices.

Those who fear volatility suggest variable agreements allow smelters to react quickly to changing prices, bringing on or shutting down pot lines which otherwise might have been dismantled, and by turning into the market at short notice causing prices to react equally quickly.

The alternative, they suggest, would be for a gradual rise in prices to make new investment attractive and cause new capacity to be built to cope with the implied extra demand. A fall in prices, meanwhile, would cause high-cost capacity to disappear permanently and allow the market, and prices, to find a new balance.

It is suggested that the price gyrations expected as a result of variable agreements would not occur if the producer sector were less able to respond "overnight."

However, events over the last 12 months tend to suggest variable power rate agreements might have been in part the saviour of aluminium as an industrial material. Producer prices for aluminium ingot are currently around 84 US cents/lb, and the London Metal Exchange is trading around $1,900 per tonne, the highest prices seen for over seven years.

Major producers have been through their euphoric phase and are now beginning to worry. If prices rise much further they could start to lose markets to other, cheaper materials such as plastics. But the producers are at a loss to know what to do. They are working flat out, they have little inventory, and new capacity started now could not be on-stream for several years.

The position could only have been worse without the existence of capacity protected by variable power agreements, capacity which might otherwise have been dismanted as recently as two years ago when the outlook appeared to be grim.

As for the current volatility, which is all in one direction if that is not a contradiction in terms, it can hardly be blamed on variable power rates. The rapid growth of aluminium demand for beverage cans, particularly in the Far East, coupled with the foreseeable but somehow underplayed collapse of the Japanese smelting sector, has been a real factor.

The significance of the emergence of large players in the aluminium options markets is not yet fully understood but is used as a scapegoat by many for the volatility in prices. Some analysts believe there is a rush of private and institutional funds into metals, with aluminium and copper proving popular, that would also contribute to volatility.

In fact, the price of aluminium has risen so far that what many critics of variable power agreements understood by volatility is barely recognisable now. The current price of aluminium is about $800 higher than it was at the beginning of this year.

In other words, the smelters are paying the rate they would have been paying without variable costs, and the price will have to fall a long way before they could be said to be depending on their variable agreements for survival again.

It is hardly surprising then that at least one major North American producer reports it is "having a damn hard time" trying to interest utilities in new variable power agrements for either new capacity or existing capacity so far not covered by agreements.

Even if it succeeds, trigger prices are likely to be based on current aluminium prices, making the deal less attractive to those who foresee prices falling back significantly in the future.

Martin Abbot

World production of primary aluminium

1970, 1975, and 1980–1986 ('000 tonnes)

	Country	1970	1975	1980	1981	1982	1983	1984	1985	1986*
North America	Canada	962	878	1,068	1,116	1,070	1,094	1,223	1,282	1,363
	US	3,607	3,519	4,654	4,489	3,275	3,353	4,099	3,500	3,039
	Total	4,569	4,397	5,732	5,605	4,345	4,447	5,322	4,782	4,402
Africa	Cameroon	52	52	43	65	79	77	73	82	82
	Egypt	—	2	120	142	141	140	173	179	175
	Ghana	113	143	188	191	174	43	—	47	127
	South Africa	—	76	87	85	107	164	167	165	173
	Total	165	273	437	483	501	424	413	472	557
Latin America	Argentina	—	22	133	134	141	136	138	140	151
	Brazil	56	121	260	256	299	401	455	549	752
	Mexico	34	40	43	43	41	40	44	43	45
	Surinam	55	35	55	41	43	34	23	29	29
	Venezuela	22	50	328	314	274	335	386	403	421
	Total	167	268	809	788	798	945	1,046	1,164	1,398
Asia	Bahrain	—	116	126	130	171	172	177	175	178
	Dubai	—	—	35	107	149	151	155	153	155
	India	161	167	185	213	210	205	268	267	258
	Indonesia	—	—	—	—	33	115	199	217	220
	Iran	—	46	16	13	45	39	42	43	43
	Japan	728	1,013	1,092	771	351	256	267	227	140
	Korea	17	18	18	18	15	13	17	16	18
	Taiwan	27	28	64	31	10	—	—	—	—
	Turkey	—	16	34	40	36	30	38	54	60
	Total	933	1,404	1,568	1,321	1,020	981	1,183	1,152	1,072
Western Europe	Austria	90	89	94	94	94	94	96	94	93
	France	381	383	432	436	390	361	342	293	322
	Greece	88	135	146	146	135	136	136	123	124
	Iceland	39	62	75	75	77	77	82	77	80
	Italy	147	190	271	274	233	196	230	224	243
	Netherlands	75	258	258	262	248	236	247	245	258
	Norway	522	595	662	636	645	715	761	724	729
	Spain	120	210	387	397	367	358	381	370	355
	Sweden	66	78	82	83	79	82	83	84	77
	Switzerland	91	79	86	82	75	76	79	73	81
	UK	40	308	374	339	241	253	288	275	276
	West Germany	309	678	731	729	723	743	777	745	764
	Yugoslavia	48	168	161	173	220	258	279	291	294
	Total	2,015	3,231	3,759	3,728	3,727	3,585	3,761	3,618	3,694
Oceania	Australia	206	214	304	379	381	475	755	852	882
	New Zealand	—	109	156	155	167	220	243	244	234
	Total	206	323	460	535	548	695	998	1,095	1,116
Total Western World		8,055	9,897	12,765	12,456	10,737	11,078	12,744	12,283	12,239
Eastern Bloc	China(E)	180	300	350	350	370	400	425	425	480
	Czechoslovakia	40	43	38	33	34	36	32	32	32
	East Germany (E)	60	60	60	60	58	59	58	60	61
	Hungary	66	70	74	74	74	74	74	74	74
	North Korea(E)	—	10	8	10	10	10	10	10	10
	Poland	99	103	95	66	43	44	46	47	48
	Romania	101	204	241	242	206	223	244	265	260
	USSR(E)	1,700	2,150	2,420	2,400	2,400	2,400	2,300	2,300	2,350
	Total	2,246	2,940	3,286	3,235	3,197	3,247	3,199	3,213	3,314
Total World		10,301	12,836	16,051	15,692	13,934	14,325	15,921	15,496	15,553

Data from Australian Mineral Economics, Metallgesellschaft and World Bureau of Metal Statistics.
*Some figures subject to revision.
Figures may not add due to rounding.
E=estimates.

World alumina prices

(including transportation costs)

Year	Australian export FOB	World average CIF
1982	188.6	243.6
1983	167.2	198.5
1984.1	168	207.3
1984.2	163.8	207.5
1984.3	161.7	187.5
1984.4	162.3	199
1984	164	200.3
1985.1	144.8	196.9
1985.2	142	182.5
1985.3	139.4	177.1
1985.4	133.9	166.6
1985	140	180.8
1986.1	122	164.2
1986.2	124.8	165.6
1986.3	119.7	159
1986.4	129	161.6
1986	123.9	162.6
1987.1	123.6	150.2
1987.2	132.6	159.6

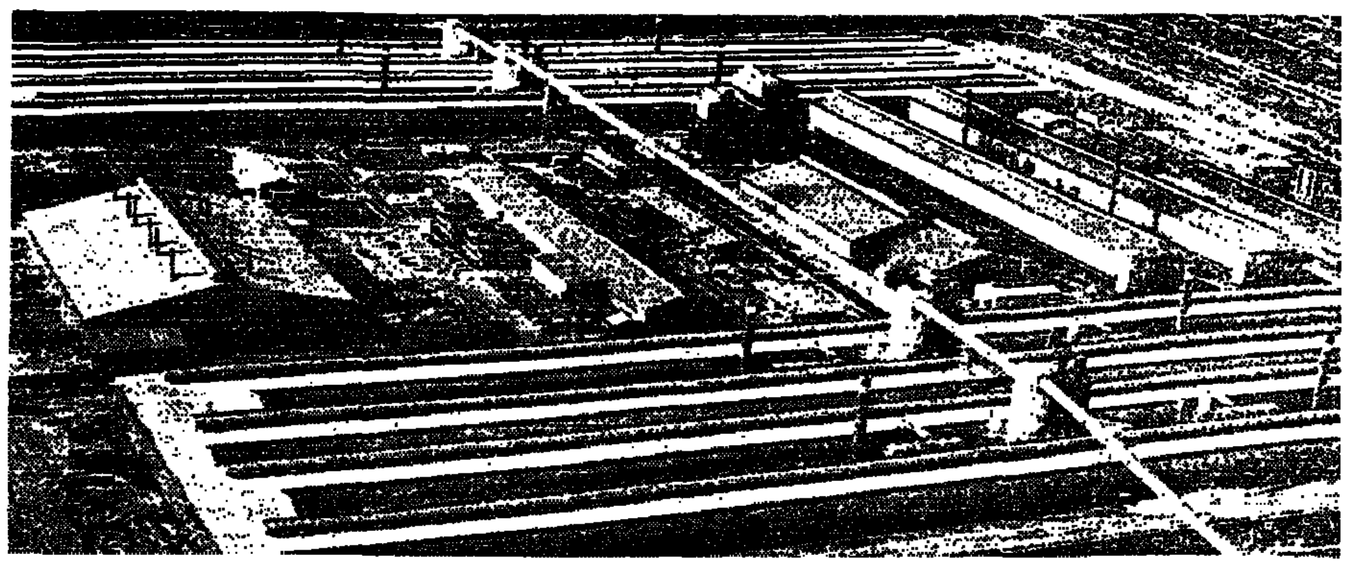
Source: Anthony Bird Associates

Production operating costs

(World weighted average)

	operating cost, cents/lb	electricity price, mills/kwh
1982	58.0	20.3
1983	57.0	20.0
1984	51.7	18.2
1985	47.7	16.2
1986	45.8	16.8
1987		
Jan	46.6	17.3
Mar	47.7	18.3
Jul	47.3	18.3

Source: Anthony Bird Associates



Venalum, the country's largest aluminium smelter

Venezuela

More smelters to stay ahead

THE VENEZUELAN government is investing heavily to expand the country's aluminium smelting capacity and plans to be in a position to produce more than 2m tonnes per year (mtpy) of primary aluminium by the year 2000.

In spite of uncertainty over future world aluminium prices, the administration of President Jaime Lusinchi believes that two key elements will give Venezuela's state-controlled aluminium industry a highly-competitive market position in years to come.

These are its role as the Western world's lowest-cost producer (thanks to cheap power from the Guri hydro-electric complex) and an industry that will be fully-integrated (bauxite-alumina-primary aluminium) by 1989-90.

At the same time, the industry is seeking investment possibilities in downstream aluminium activities abroad that will assure Venezuela of long-tern placement of primary aluminium in the US and European markets. Alcasa - one of Venezuela's two largest aluminium producers - initiated this new stage of Venezuela's international activities last year when it purchased a half interest in Aleurope, a Belgian aluminium products company.

Alcasa and Reynolds International (the minority stockholder in Alcasa) are now equal partners in Aleurope, and Venezuela has gained its first foothold in the downstream side of the European aluminium business.

Both Alcasa and Venalum - Venezuela's other large aluminium producer - are currently studying a range of investment opportunities in the US and Europe, and are expected to make decisions on new ventures in the coming months.

Investments in Venezuela's aluminium sector over the next few years will reach an estimated $2.7bn. In addition to major expansion projects where the Venezuelan government holds a majority share, several smaller private aluminium projects are also planned, including a 120,000 mtpy smelter to be built by Alusur and a 100,000 mtpy smelter to be erected in stages by Alisa.

Venezuela is already producing bauxite ore from a new mine in Bolivar state, and as output increases to the first stage goal *of 3m mtpy by 1989-90, imports* of bauxite will be progressively eliminated and the country will have a fully-integrated aluminium industry.

Today aluminium is Venezuela's second-largest export item after petroleum, and its importance is steadily increasing. Last year Venezuela's major smelters - Alcasa and Venalum - produced 420,660 tonnes of primary aluminium and products, and exported more than 250,000 tonnes.

Venezuela's government-controlled aluminium industry - made up of Alcasa (Aluminio del Caroni SA), Venalum (Industrias Venezolana de Aluminio CA), Interalumina (Interamericana de Alumina CA) and Bauxiven (Bauxita Venezolana CA) - is in the midst of an ambitious expansion programme that is scheduled to be completed by 1989.

At that time, the industry will have primary aluminium smelting capacity of over 662,000 mtpy, rolling capacity of 80,000 mtpy, alumina production of 1.5m mtpy and bauxite ore output projected at 3 mtpy. Moreover, Alcasa, Venezuela's oldest aluminium producer with 20 years' experience, has announced that it will begin construction next year of a new 180,000 mtpy aluminium smelting line using technology from Pechiney of France and costing $667m.

The Government will also set up a joint venture to build another 180,000 mtpy smelter with the same estimated investment *cost. Partners in the latter venture* are expected to be CVG (Corporacion Venezolana de Guayana), a government-owned regional development agency, Alcasa, Austria Metall, Pechiney and the government of Bulgaria. After these two new plants are finished in the early 1990s, Venezuela's total aluminium smelting capacity will reach more than 1.02 mtpy.

Several international banks are putting together financing offers for Alcasa's new smelter and for additional facilities still being considered. The Government hopes to pay for part of these new ventures through large debt-equity swaps. Financing for the industry's expansion is not currently a problem.

Funds are being provided by the Government (Venezuelan Investment Fund), by the companies themselves and by loans from a variety of European and Japanese institutions in the form of supplier credits and project finance loans. Swiss Bank, West Germany's KFW, Banque Indosuez, Banque Franciase du Commerce Exterieur and Mitsubishi Corp. are some of the institutions financing the expansions at Alcasa and Venalum.

Venezuela holds an important advantage vis a vis other aluminium makers since it is currently the lowest-cost producer of primary aluminium. During the first half of 1986, Venezuela's average direct operating cost stood at 32 US cents per pound of primary aluminium.

Other low-cost producers ranged from 34.3 (South American producers, excluding Venezuela) to 40 cents (Oceania) per pound. Canada's cost was 37.6 cents while the US was 50.9; Japan stood at 71 cents and Western Europe 46.

Production results for 1986 and expansion plans for Venezuela's aluminium industry are these:

Venalum is currently the country's largest aluminium smelter, with installed production capacity of 280,000 mtpy. Founded in 1973, the campany is 80 per cent owned by the Venezuelan government (the Corporacion Venezolana de Guayana - CVG) and 20 per cent by a group of Japanese industrial concerns.

Venalum produced 295,520 tonnes of primary aluminium in 1986, up from 281,860 tonnes the previous year and more than 15,000 tonnes above design capacity.

The Lusinchi administration has approved expansion plans for Venalum that will cost more than $386m through 1989 and that will raise the company's installed production capacity by 175,000 mtpy to about 455,000 mtpy. Venalum, like Alcasa, is examining downstream investment opportunities in Europe

Alcasa is Venezuela's most experienced aluminium company. It began to operate in 1967 (as a joint venture between the Venezuelan government and Reynolds International. Through the CVG and the Venezuelan Investment Fund (a state-owned financing entity), the Government now owns 84.24 per cent of Alcasa, while Reynolds holds 15.76 per cent.

Last year, Alcasa's plants in Puerto Ordaz and Guacara produced 125,140 tonnes of primary *aluminium and products (foil,* laminated products, and so on), up 2.9 per cent from 1985.

The company's president, Mr Celestino Martinez, says that the production target for this year is 126,800 tonnes.

Alcasa is now moving ahead with a major expansion programme that will cost $431m through 1989 (imported component is about $200m).

Interalumina: Interalumina is a joint venture between the Venezuela government, which owns 96.5 per cent of all shares, and Swiss Aluminium, or Alusuisse, with 3.5 per cent. The Interalumina plant, located in Ciudad Guayana, converts bauxite ore into alumina powder which is then converted into primary aluminium.

Interalumina was incorporated in 1977 and construction work on its plant began in 1979. The company went into full operation in 1983 with installed capacity of 1m mtpy of alumina and total investments of more than $1bn. Last year the company reported a record high production of 1.27m tonnes, up 164,725m tonnes from 1985 and more than 268,000m tonnes above installed capacity. Alumina production this year is projected at 1.3m tonnes.

Bauxiven: This state-owned company began work in 1986 to develop a large bauxite ore mine at Cerro Paez, Los Pijiguaos, in the jungles of Bolivar state. Government plans call for production of 3m mtpy by 1989. Design capacity for crushing ore will be 4.5m mtpy, with the capacity of expanding to 6m mtpy. Domestic demand for bauxite ore currently is running at about 2.8m mtpy (most of which is imported), and will rise to 4.5m mtpy by 1990-91.

Joseph Mann

North America

Getting back to work

THE STRONG ingot market and shaky dollar of recent months have done little to change the three-pronged long-term strategy of the major US integrated producers, formulated in the teeth of the *difficult market* conditions of the past five years.

In a nutshell, they continue to cut costs, to concentrate on downstream activities and to diversify into more advanced materials.

But they have prompted a massive restart of idle smelter capacity, which will result this year in a 400,000-tonne or nearly 10 per cent increase in North American ingot production, according to Shearson Lehman Bros forecasts.

The scale of the increment is due partly due *to last year's* widespread strike disruption. The willingness of the likes of Clarendon, the Swiss-based commodities trader Marc Rich's US affiliate, to sign so-called "tolling" agreements to have its alumina smelted at various US facilities, has also played a part.

But more important has been the enlightened pricing policy of the Bonneville Power Administration (BPA) in the US Pacific north-west, which since last August has tied the rates paid by smelters for power to the ingot price. This, coupled with the decision not to confine plants to specific load levels, has helped prompt potline restarts at five Pacific north-west smelters, accounting for about 25 per cent of the overall year-on-year production increase.

Three of the BPA area smelters to have restarted capacity during the year - those at Vancouver, Goldendale and The Dalles - are now in the hands of small independent companies. This in itself is indicative of the integrated producers' strategic shift towards manufacturing ingot primarily for their own fabricating needs.

Not even the strength of the current market for ingots has been sufficient significantly to change this policy, although Kaiser did boost ingot sales to 17 per cent of its product mix in the latest quarter and Alcoa has elected to restart in-house capacity rather than buying ingot on the open market as had been its practice while prices were low.

With lead-times for flat-rolled sheet and plate stretching well into the first quarter of 1988, the US-based integrateds are for the most part content to forgo even today's undoubtedly alluring ingot market - despite the fact that prices for most semis and fabricated products have risen to a considerably lesser degree.

Can body-stock prices in the US, for example, are in most *cases locked in until the year*-end on a term contract basis, producers say.

Montreal-based Alcan, however, retains its traditional major role in the ingot market, thanks largely to the cost advantages which it enjoys as a result of owning its own hydro-electricity plants in British Columbia and Quebec.

According to company chairman, Mr David Culver, the company will continue to sell some 25 per cent of its production capacity in ingot form, with the remainder being fed through the system into an increasingly diverse range of downstream applications.

High purity gallium and ceramics are two areas which have excited the company's attention in recent years, while intensive research has also been conducted in a bid to extend aluminium's penetration of the automotive and aerospace markets. Its Lital A aluminium-lithium alloy, which is billed as up to 10 per cent lighter than alloys of similar strength, was accepted for use in the proposed European Fighter Aircraft earlier this year.

Meanwhile, the company has continued to target costs by further simplifying its organisational structure and shutting or selling marginal operations. "Because of our realisation that the return on equity on aluminium is rather stable in the long-term, we *want to supple*ment this income with potentially high return investments in new areas," a company spokesman explains.

Pittsburgh-based Alcoa has arguably been the most decisive of the big integrated producers in moving into new but related materials fields. Recent projects, undertaken often in joint venture with a partner company, have included forays into high-performance plastic containers for the food industry, ceramic armour plate, fibre optic technology and even industrial waste processing.

Richmond-based Reynolds Metals too is continuing to emphasise downstream markets, with fabricated products accounting for some 95 per cent of the company's dollar sales - up from 85-90 per cent at the beginning of the decade.

As with Alcan, aluminium-lithium alloys are seen as a prime expansion area. Accordingly, the company is installing an alulith casting facility at its McCook, Illinois sheet and plate works, with the first output expected in the first half of next year.

David Owen

Recent Developments At Some U.S. Smelters

	Smelter	Capacity (tpy)	Status
Alcan	Sebree	163,000	Restart of 54,400 tpy potline will raise smelter to two-thirds operation during third quarter.
Vanalco	Vancouver*	100,000	Reopened under new management – three of its five potlines restarted.
Alcoa	Badin	115,000	50,000 tpy of capacity brought onstream at these two smelters.
Alcoa	Warwick	270,000	During late April and 87.
Columbia	Goldendale*	160,000	New owners plan to raise production to 100,000 tpy level by final quarter.
Kaiser	Mead*	200,000	Operating rate to be raised to 87.5%.
Northwest Aluminum	The Dalles*	81,000	First potline restarted in late 1986, second partially in 87.
Reynolds	Troutdale*	118,000	Restarts in March and July leave one potline idle. Restart scheduled for Sept. 1.
Reynolds	Longview*	191,000	Potline restart earlier in the year returned plant to full operation.
Alumax	Eastalco	160,000	Smelter now running flat-out following potline restart in second quarter.

*Power supplied by Bonneville Power Administration.

Turkey must fight for a place in world markets, says **David Barchard**

A strong reliance on imports

TURKEY IS EASILY the Middle East's largest aluminium producer, with its 214,000 tons total annual production easily outstripping that of its nearest regional rivals, Egypt (178,000 tons) and Bahrein (174,000). Even so its reliance on imports both of finished products and of ore remains substantial.

Turkey imported $89m of aluminium products in 1985 and $69m last year. This year the total should drop to about $53m, in line with the continuing emphasis on import avoidance. A substantial amount of ore is also bought from abroad - $19.4m worth in 1985.

On one hand, Turkish aluminium is dominated by the large state-owned and Soviet-built Seydisehir Aluminium plant 250 miles south of Ankara. Set up by the Government in 1969, it processes about 460,000 tonnes of bauxite ore a year to produce about 200,000 tonnes of alumina and 60,000 tonnes of prime quality aluminium.

This is about half the country's annual demand, even though Turkey's per capita consumption is not only well below that of Europe, but even that of neighbouring Iran.

On the other hand, Seydisehir, which enjoys a considerable subsidy on its electricity costs, is in direct competition with its private sector customers who produce finished products and have no electricity subsidy.

The largest of these companies, Nasas, and the only one so far to make its mark internationally, thus finds itself with an annual sheet foil capacity of 20,000 tonnes but a local market of only 7,000 tonnes when Seydisehir's share of it has been taken away. The balance has to be exported - something which the designers of Nasas in the early 1970s never imagined would happen.

There is general agreement that the Seydisehir plant is one of the better achievements in the somewhat chequered record of Soviet-Turkish industrial cooperation, which includes several expensive flops."That time round," says an American engineer, "the Soviets built a Cadillac."

Management and quality control tell a less happy story. Seydisehir is sited about 25km from the bauxite mines which supply it, but it has been affected by the problems for which Turkey's state economic enterprises are notorious.

This summer it was hit by a major strike which shut it down for more than a month.

There has been talk of privatising it or of perhaps leasing out some of its facilities to the private sector, for instance, smelters. So far, however, the bureaucracy of the Etibank, the state minerals corporation to which Seydisehir is attached, has not favoured these proposals.

Things are very different in the private sector, which has to be responsive to market forces like it or not. Since 1983 Nasas has been fighting for a place in world markets, using foreign consultants from Reynolds of the US to improve its production operations and product quality, and employing an aggressive marketing strategy to find customers in the OECD countries.

Nasas now produces about 20,000 tonnes of sheet coil a year, and 8,000 tonnes of foil and 6,000 tonnes of converted foil at its plant at Gebze about 50 miles outside Istanbul. Drastic reorganisation, the laying off of surplus workers, and the introduction of external auditing (the present president of the company, Mr Fethi Agalar, began his career at Arthur Andersen in the 1970s) have combined to produce one of Turkey's more spectacular industrial turnrounds in the last four years.

From chronic but disguised losses before 1983 when Arthur Andersen was brought in, Nasas has moved back quietly into profitability. Last year it made a net profit of $1.7m on sales of TL51bn ($79m). It has paid off the long-term debt on its imported machinery and technology (a burden which has crippled some other comparable Turkish companies because of the decline of the Turkish lira) and today it belongs to the select group of Turkish industrial companies whose affairs bear close scrutiny.

The recovery rate per kilo in foil aluminium production has gone up to just under 65 per cent - or well out of the Third World league of efficiency and into that of aluminium producers in the developed countries.

This is despite having to cope with chronic Turkish problems including paying for electricity at US cents 8 per KWh - double the cost paid by some of its foreign competitors - and finding supplies of ingots on international markets. (Those available from Seydisehir sell at above world prices).

The real battle, however, has been to win recognition in foreign markets. During the early 1980s, Nasas relied heavily on Iranian and Iraqi markets which temporarily had an enormous appetite for Turkish industrial exports. The link with Iran is not entirely broken. Nasas acts as adviser to one aluminium plant there.

However, Mr Agalar and his team set their sights on markets in Eastern Europe and the EEC.

Last year Nasas's exports were just under $30m. This year, they should be close to $40m, almost all of them coming from OECD countries, particularly Western Europe. The company has taken more than a third of the West German consumer foil market, and has begun to make inroads in other Mediterranean countries.

"We have our own marketing teams in each country which we can sell to," says a Nasas official.

Currently Nasas is exploring a possible deal to take over a Luxembourg-based aluminium company.

Even so, it would like Turkish consumption of aluminium products to rise. Last year it negotiated an Izmir-based joint venture with Tetrapak of Sweden to make packaging materials. Mr Agalar is currently looking for new investments, perhaps with a foreign partner,in piping, canning, roof materials, and sandwich panelling.

It is arguable that the private and state sector investment in aluminium in the early 1970s in Turkey was badly thought out and certainly poorly co-ordinated. However, the export-oriented policies of the Prime Minister, Mr Turgut Ozal, combined with lively management, seem to guarantee Nasas as future in world markets.

Panel controlling the gauging and shaping of foil at Comalco's Yennora, NSW, mill

Australia

Majors' wide interests

COMALCO AND Alcoa of Australia are the two Australian aluminium producers which are vertically integrated from bauxite mining through to the production of primary and semi-fabricated aluminium products.

The formation of both companies followed the discovery of major bauxite deposits in the 1950s which provided the basis for their development from the early 1960s into integrated aluminium producers. Both deposits were discovered by leading Australian mining companies which brought in foreign aluminium companies as major shareholders to provide not only finance but also technical knowhow.

However, despite these early similarities, there are considerable differences in the way the two operations have developed.

Comalco's bauxite deposits at Weipa, Queensland are high grade and were initially developed for export until the Queensland Alumina joint venture was brought into operation in 1967. Comalco has continued to be a major supplier of bauxite to export and domestic markets. Most of its alumina production is used in its own operations while its sales of aluminium metal have grown significantly in recent years.

Alcoa, by contrast, converts all its bauxite from the Darling Ranges in Western Australia to alumina at nearby refineries and is a major supplier of alumina on world markets.

Alcoa's bauxite deposits were of too low grade to contemplate development for export markets. Alumina is the company's main source of revenue although with the start-up of the Portland smelter (45 per cent-owned) in late 1986, Alcoa's aluminium sales revenue is becoming increasingly significant.

Comalco's interests are extensive. It owns and operates bauxite mining and industrial mineral processing facilities at Weipa, North Queensland, a smelter at Bell Bay, Tasmania and semi-fabricating facilities in Auistralian and in the US at Lewisport.

It has consortium interests in alumina refineries in Gladstone, Queensland (30.3 per cent) and Sardinia, Italy (37.5 per cent) and in aluminium smelters at Boyne Island, Queensland (30 per cent) and Tiwai Point, New Zealand (79.4 per cent).

It has a window and door manufacturing company in Australia, and sales and distribution offices in Australia and the US. The company has interests in aluminium fabrication companies in Hong Kong, Indonesia and New Zealand.

More than 9,000 people are employed in Comalco-managed companies. Its major shareholders are CRA (36.9 per cent) and the AMP Society (15.2 per cent). Kaiser Aluminium sold its shareholding in 1982.

Comalco is one of the world's leading bauxite suppliers. Its operations at Weipa have accounted for about eight to 12 per cent of Western world production in the 1980s. As export markets,particularly in Japan and Europe, have declined in recent years, Comalco has diversified its Weipa operations with the production of abrasive-grade calcined bauxite, proppants and paper-coating kaolin.

Comalco's alumina production comes from joint venture interests in the Queensland Alumina refinery at Glaldstone and the Eurallumina refinery in Sardinia, entitling it to a total of 1.1m tonnes annually at full production. Comalco's own alumina requirements for its smelting interests are currently about 750,000 tonnes.

Comalco's primary aluminium division encompasses the Bell Bay smelter, the Boyne smelter, and the Tiwai Point smelter. Comalco is the manager of all three snmelters, giving it a total entiltement to 376,000 tonnes of metal annually.

In early 1987 Comalco sold its Goldendale smelter in the US, which it had bought in 1985. The division's product range includes ingot, extrusion billet, rod, foundry alloy, busbar briquettes, granules, powder and paste. Output from these smelters supplies domestic markets in Australia and New Zealand and export markets, especially Japan.

At Yennora, near Sydney, Comalco's rolled products division produces sheet and plate, can sheet coil, foil, and processes scrap aluminium.

Comalco is an important supplier of can sheet to the US and East Asia. In the US a Comalco subsidiary has about a 10 per cent share of the non-can sheet rolled products market.

Alcoa of Australia currently owns and operates four bauxite mines and three alumina refineries in Western Australia, a primary aluminium smelter and semi-fabricating plant at Point Henry, Victoria. It also has a 45 per cent interest in and is manager of the Portland Smelter joint venture in Victoria which began operations in late 1986.

The company employs about 5,750 people and the major shareholders are Aluminium Company of America (51 per cent) and Western Mining Corporation (48.5 per cent).

Its four open-cut bauxite mining operations at Jarrahdale, Del Park, Huntly and Willowdale currently account for about 17.5 per cent of Western world bauxite capacity.

Alumina production began at the Kwinana refinery, near Perth, in 1963. Since then, two more refineries, at Pinjarra and Wagerup, further south, have been brought into production. Alcoa's total alumina production capacity is now almost 13 per cent of toal Western world capacity.

Alcoa requires about 330,000 tonnes of alumina each year for its Point Henry smelter and will supply all the alumina for the new Portland smelter (600,000 tonnes) after the second potline is completed in 1988. The balance of alnmina production is exported to a number of different countries including the US, Argentina, Norway, Indonesia, Bahrain and Dubai.

Primary aluminium production began at Point Henry in 1963. Annual capacity has been expanded in stages to 170,000 tonnes. After the second potline of the Portland smelter is completed in late 1988, Alcoa's 45 per cent share of loutput will rise to about 135,000 tonnes a year.

About 70 per cent of output from Point Henry is exported, mainly to Asian countries, and all Portland output is destined for export markets.

At Point Henry, semi-fabricating perations are now concentrated on coiled sheet production for domestic and export markets.

Although Alcoa has not been actively seeking to diversify its interests outside the aluminium industry, part of its Darling Ranges bauxite leases adjoin those held by Worsley Alumina where Boddington gold orebody has recently begun p roduction.

Alcoa reported in July 1987 that it had established ore reserves of 5m tonnes grading 2.5 grams Au/tonne. This compares with Worsley's Boddington reserves of 45m tonnes grading 1.8 grams Au/tonne. Alcoa is currently considering proposals to mine and process its gold reserves.

Jan E.Larsen

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Profile: Hydro Aluminium

Merger creates ambitious group

WITH ITS ample energy resources, Norway has for several decades been a producer of aluminium. And with only a small domesticpopulation to serve, it has been traditionally a significant exporter of the metal.

However, Norwegian production has been somewhat fragmented, shared among several companies all competing abroad for markets and each relatively limited in resources.

Since the middle of last year, though, this situation hasaltered, with the merger of one of the country's oldest and biggest producers, the state-owned Aardal og Sunndal Verk (ASV), with the aluminium division of energy and fertiliser giant Norsk Hydro, itself 51 per cent owned by the Norwegian government.

The unification has brought together some 615,000 tonnes per year of primary aluminium production capacity, as well as a wide network of fabrication and extrusion units throughout Europe, under the aegis of a newcompany, Hydro Aluminium.

The merger - actively encouraged for several years by theNorwegian government - created a company whose declared aim is to enter the 1990s as one of Europe's leading aluminium concerns, a major force in the whole process through from smelting to the fabrication of finished products.

A bold ambition, indeed, at a time when other European producers are facing the grim reality of closures and cutbacks in the light of stagnant metal demand and stiff competition from other low-cost producers, particularly in developing countries.

However, the pooled resources of the two companies havealready set Hydro Aluminium well on the way to achieving itsgoal, even before the end of the decade. Until last year, Norsk's aluminium interests consisted of the Kamoy smelter in western Norway, opened in 1963 to help stem migration from an otherwise industrially impoverished region.

Joining energy resources and smelting expertise

Over the years, the smelter'scapacity has been expanded from 60,000 to 215,000 tonnes peryear, and rolling and extrusion facilities added to the complex. Complementing the smelting facilities in Norway is a seriesof downstream production units across Europe.ASV's history in aluminium stretches back to 1917, when its65,000 tonnes per year smelter at Hoyanger came on stream. Twoother smelters were subsequently commissioned at Aardal and Sunndal,bringing ASV's primary smelting capacity to about 400,000 tonnes per year.

The merger thus pooled the older established smelting expertiseand capacity of ASV with Norsk's vast energy resources and widernetwork of fabrication units. Although aluminium traditionallyaccounts for only a small part of Norsk's turnover, the deterioration of the company's previously healthy balance sheet into a NKr374m loss last year, as a result of drastically lower oil and fertiliserprices, has no doubt contributed to Norsk's desire to strengthenits aluminium business.

In fact, following the strengthening of metal prices this year, Norsk is set to make a $150m profit on its aluminium sales in 1987.

Under the terms of the merger, Norsk's aluminium assets weretransferred to ASV in return for a 70 per cent stake in the new company, Hydro Aluminium. Norsk has the option to increase its stake to90.1 per cent any time between January 1988 and December 1991.

By the end of this year, Hydro Aluminium will control some620,000 tonnes per year smelting capacity, more than any otherproducer in Western Europe. It will require an immense 10,000 KWh - 10 per cent of Norway's energy output - to produce that amount of metal.

This will be supplemented by 33,000 tonnes from fellow Norwegian producer Sor-Norge Aluminium, in which Norsk last year increasedits holding from 25 to 49.7 per cent. And, under an agreement withthe Columbia Falls facility in the US, the company obtains afurther 100,000 tonnes per year of primary ingot.

With smelting capacity at satisfactory levels - a decision toincrease metal output at Aardval from 160,000 to 200,000 tonnes per year having been put on the back burner until next year atleast - the main thrust of Hydro's expansion plans is intodownstream capacity.

Some 50 per cent of the metal produced in Norway is already consumed within the Hydro group. Downstream facilities include three rolling mills at Karmoy and Holmestrand in Norway, and in Copenhagen. Holmestrand came on stream just last year, bringing Hydro's rolling capacity to about 95,000 tonnes annually.

This is far from adequate though, and investment in further rolling mills is high on Hydro's list of priorities.The group also owns the Fundo group of foundries, located atHoyanger and three sites in Sweden, whose chief product is castcar wheels, and canmaking and tube plants in Scandinavia and the UK.

Hydro's downstream activities extend as far, even, as the Polaris range of kitchenware, one of Scandinavia's leading brands.

Hydro's extrusion capacity, following the acquisition of five Alcoa units in Europe shortly after the merger, totals some 200,000 tonnes per year. The 16 extrusion plants have their head office at Lausanne, Switzerland, a strategic location in the heart of Hydro's main consuming markets in Western Europe.

Another area scheduled for development is raw materials. Since the closure of the old alumina refinery at Hoyanger, Hydro has had to buy all its feed in the market, and is on the lookout for a "suitable" refinery in which to take a stake.

The European market is of utmost importance to Hydro - hencethe focussing of its extrusion activities in Switzerland. Aboutone third of its 12,000 employees work at Hydro operations outside Norway, and almost 50 per cent of 1986 revenues came *from non-Norwegian activities.*

The group has about 30 sales offices scattered throughout Europe, spearheading the penetration of Hydro as *the* major European aluminium company.

Ann-Marie Moreno

David Blackwell explains why the popular standard contract is to be phased out

Swimmers poised at the edge of a high grade pool

THE LME, in the words of Mr Christopher Green, its chairman, has dealt brutally with the standard grade aluminium contract, which is to be phased out by the end of next year.

But the exchange believes brutal action is necessary to turn the trade's attention to the high grade contract, which was launched on June 1 and has failed to live up to expectations so far.

The LME's involvement in aluminium did not begin until 1978 - relatively recently in terms of the exchange's long history. The standard contract, which specifies 99.5 per cent purity aluminium for delivery, itself got off to an inauspicious start, taking two to three years to build up both volume and trading liquidity.

But once the contract was trading well, it rapidly began to pick up interest from both aluminium consumers and producers. It soon became the accepted international price indicator, replacing the aluminium producers' price, which was increasingly discounted if a surplus of metal was available on the market.

However the aluminium industry in the West now centres almost exclusively on high grade aluminium, or metal of 99.7 per cent purity. Recognising this, the exchange announced last March that it would launch a new contract for 99.7 per cent purity aluminium.

The contract breaks new ground on two separate points. It is priced in US dollars, ending a century-old tradition at the exchange of trading only in sterling, and it includes for the first time a delivery point outside Europe - at a warehouse in Singapore serving LME clients in the Far East.

At the time of the launch on June 1, the LME expected business to gravitate towards the dollar contract. It was only approved after months of debate, in which the reform-minded members had to overcome opposition from more conservative traders who were afraid the LME was in danger of spreading its resources too thinly.

The reformers argued that the exchange had to become more responsive to the demands of its international customers. Aluminium producers had told the exchange that they believed a publicly-quoted price for lower grade metal was keeping prices down.

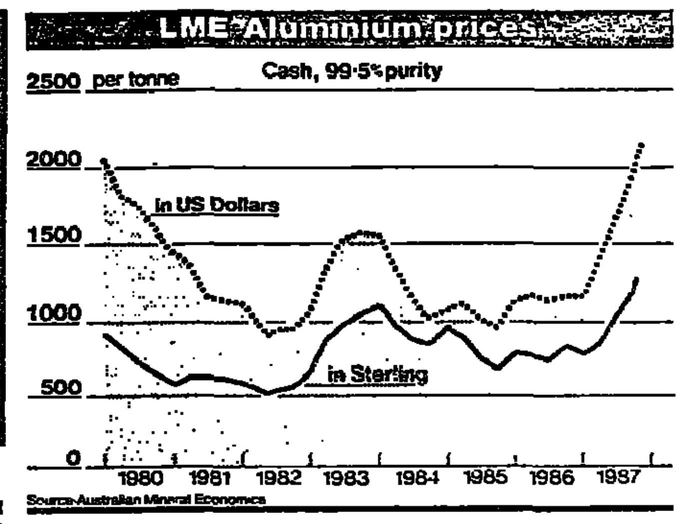
In any case the physical trade had become disillusioned with the 99.5 per cent contract because of the volatility of its prices. The contract seemed particularly vulnerable to sudden backwardations, or discounts of the cash price over the price for the three-month position. This is the reverse of the usual position in a futures market - a contango, where the price of the three-month metal is higher than the cash price because it takes into account storage and handling costs.

Christopher Green: lined up

Backwardation upsets users who want to use the market to hedge their positions in the classical way by locking into a future price. According to Mr Green, the volatility of the contract led some producers and consumers to withdraw from the market because they felt it was less dangerous to risk using the physical market for the metal. Producers in particular would tend to hold on to their metal to take advantage of the higher cash prices.

The main reason behind the price volatility of the standard grade contract is that it suffers from a lack of physical liquidity - that is there is not much 99.5 per cent aluminium about. In LME warehouses over the past year alone stocks of the standard metal, which is mainly East European in origin, have fallen from 120,000 tonnes to about 60,000 tonnes.

The lack of supply means that prices for 99.5 per cent metal can equal the value of 99.7 per cent metal, and it is worth delivering the higher grade metal against a standard grade contract. When prices fall again, the 99.7 per cent metal is no longer available for delivery - and prices fluctuate wildly.



Source: Australian Mineral Economics

The LME was convinced that once the high grade contract was available, the sterling contract would rapidly become the junior partner.

However, this has not been the case, and business has remained firmly in the standard grade contract. In September, for example, the standard contract traded 171,575 lots, compared with only 10,890 lots for the high grade contract. Only about 20,000 tonnes of high grade aluminium has been delivered to LME warehouses.

The exchange now believes it was a mistake not to phase out the standard grade contract when the high grade contract was launched. It also believes that the high grade contract will take off once the standard grade contract has gone - and that both physical and trading liquidity will be found in the 99.7 per cent sector.

Historically an exchange cannot have two successful contracts in a single metal. A similar situation arose at the LME when the zinc contract changed in 1984. When the old contract was phased out, traders automatically switched to the new one.

The decision to phase out the old aluminium contract has been criticised by some merchants as being taken with too much haste and too little consultation. But Mr Green believes that if the decision had been taken when the high grade contract started up, no one would have questioned it.

Producers, on the other hand, see the high grade contract as being far more realistic, and hope to be able to drop their familiar criticism that LME metal is for buying and selling - not for using.

As Mr Green told the LME annual dinner at Grosvenor House earlier this month: "The high grade aluminium has all the potential physical liquidity but has not yet the trading liquidity to be a success - so to put it crudely even though the water looks cold it is because it is a bigger pool and there are few swimmers to warm it up.

"So I suppose we decided to line you all up at the edge and push you in."

Options

Unrivalled sector for volatility

IN THE notoriously perilous world of commodity investment the control of risk rates a high priority.

Low deposits (typically around 10 per cent of contract value) mean that very high profits are possible from relatively modest initial outlays. But, by the same token, the potential for losing money quickly is much greater than in most other investments.

The simplest way of guarding against excessive losses is the determinination of a level at which a loss-making investment is to be aborted - known as a "stop-loss" order. But that carries with it the risk of a basically sound investment being automatically cancelled because of a temporary deviation from the expected price trend.

That problem does not apply in the case of options.

In return for a one-off premium payment the option investor gets an unlimited profit potential with no further financial risk. He is essentially placing a bet on the future performance of a particular commodity price.

Most agree that options trading has at least doubled in the last six months

Purchase of an option confers on the buyer the right, but not the obligation, to buy (in the case of a "call") or sell (in the case of a "put") by some future date at a predetermined price. If the price moves in the right direction by more than the amount of the premium the investor can declare the option and immediately sell (or buy back) at a profit. If it does not he loses money - but the loss cannot be greater than the premium. The price of that security is the forfeiture of a portion of the potential profit - ie the premium.

Because he needs to cover his premium before he starts to show a profit the options investor is looking for bigger price movements than the straight futures speculator - so price volatility is a necessary element for a flourishing options trade.

In recent years few commodity sectors have rivalled aluminium in terms of volatility. At the end of June the London Metal Exchange quotation for three months delivery standard grade aluminium stood at about £890 a tonne; in the past two weeks its has moved above the £1,200 a tonne mark.

Until recently the level of LME options trading was entirely a matter for conjecture. There was no organised market and the trade was an "over-the-counter" one, transacted on a principal-to-principal basis between granters and buyers.

At the end of May, however, the LME accompanied its adoption of a central clearing system with the launch of traded options for all of its six metals.

That was seen as the beginning of a new era for the trade. Brokers were confident that improved market "transparency" and accurate tracing of dealing trails would help to allay investors' fears about entering the formerly shadowy world of metals options. The investor could now be sure that he was not being "ripped off and marked up," was how one dealer put it at the time.

From the outset the aluminium market was expected to be the main beneficiary of the new system. Although no official figures were available there was no doubt that there had already been a major surge in aluminium options trading. Three years earlier the trade had amounted to less than 10 per cent of LME turnover in the metal, but estimates of its level in the second quarter of this year ranged up to 50 per cent.

Back in May many dealers were sceptical about that 50 per cent figure, but few would dispute it now. Most agree that aluminium options trading has at least doubled over the past six months. "We haven't seen such a level of business before," says Mr Peter Allen of Rudolf Wolff, an LME dealer.

That comment goes for futures turnover as well as options and to some extent options trading has clearly been borne up on the rising tide of futures trading. On the other hand the surge in futures business undoubtedly owes a good deal to the growth in options-related transactions.

In the January/May period the LME's standard aluminium contract averaged a monthly turnover of 1.69m tonnes, a figure that more than doubled to 3.78m tonnes in the following four months.

The pace of the rise recorded in traded options volume has been even more impressive, although, at first sight, the actual figures appear relatively modest. LME figures show that in August options turnover for standard aluminium doubled to 148,625 tonnes from 784,375 tonnes in July; and in September it moved further ahead to 182,375 tonnes.

That is not the whole story, however. At present LME figures record only the inter-broker options business of clearing members, which is only the tip of the iceberg. Much of the client business done by non-clearing members cancels itself out and does not enter the clearing system. The exchange is reported to be keen to have this business reported (probably without the clients being identified) which would greatly enhance the usefulness of its figures.

The other factor to which the recorded information gives no clue is the level of option-related business. Options granters have to cover their exposures; successful investors will eventually cash in their holdings; and trading against options can have a further multipier effect.

It works like this:

If an investor had decided on May 29 that aluminium prices were set to rise substantially he could have bought a September call option entitling him to buy aluminium at $1,400 a tonne. That would have cost $56 a tonne, so the minimum contract of 25 tonnes would have set him back (coincidentally) $1,400. When the price reached $1,500 a tonne he could have declared his option, bought 25 tonnes at $1,400, sold it at $1,500 and pocketed a profit of $1,100 (ignoring commission charges but allowing for the cost of the premium). Had he bought a three months futures contract his profit would have been $2,500, but he would have risked a possible loss way in excess of the $1,400 he laid out for his option.

A better plan, once the price reached $1,500, would have been to have sold his option, which by then would have been worth about $110 a tonne (allowing for elapsed time and accrued profit), giving him a profit of $1,350.

Better still, according to Mr Allen, he could have traded against his option. "He could have sold aluminium at $1,500 a tonne, secure in the knowledge that he could operate his option and cover the sale at $1,400 a tonne at any time," he explains.

If, as actually happened, the price rose further, little harm would have been done and he would still have been in a position to cash in his $1,100 profit. But if it had fallen sharply he might have been able to buy back on the futures market and show a much bigger profit, even after writing off the cost of the abandoned option.

In effect an option, once it is "in the money", can be used as an insurance policy enabling the holder to trade the market without risk, an attraction which appears to be proving irresistible to more and more metals investors.

Richard Mooney

The metal is a versatile material for use in stress applications, **Richard Wood** reports

From trains to cylinders, from catamarans to cars

WHEN LONDON Underground begins its refurbishment of the Central Line in 1990, aluminium will almost certainly be the material from which its new trains will be built.

Three prototypes are to be tested, two built by Metro-Cammell and one by British Rail Engineering. All have bodies made from a series of large aluminium profiles which run the full length of each carriage and are welded together at the edges.

West Germany's new Inter-City experimental train, new high-speed trains being designed in Denmark, and the latest Paris Metro trains are all based on the same construction principle. The metal is also making its mark in the marine and offshore oil industries, where its light weight and corrosion resistance are valuable assets, and in the automotive industry, where advanced aluminium-based metal-ceramic composites offer the prospect of more efficient, reliable petrol and diesel engines.

The process behind aluminium's adoption by the European railway industry is extrusion. This involves forcing heated aluminium through a specially designed die to produce lengths of material with almost any shape cross-section.

Although the material is more expensive than steel, the integrated designs made possible by using aluminium extrusions are often more cost-effective than components put together from a selection of standard steel sections.

By careful design, gains can be made both in shorter assembly times and improved engineering performance. The builder of the Paris Metro trains, Societe Franco Belge de Materiel de Chemins de Fer, reckons to have saved about a third of the cost of making similar trains using traditional welded steel construction, and to have completed them in a fraction of the time.

A typical aluminium extrusion might incorporate tongue and groove joints along its edges to locate it accurately against another extrusion for welding, stiffening ribs, and slots to hold fasteners and seals.

Aluminium construction also offers the advantages of light weight, corrosion resistance and easier finishing. The large sections used to build these railway carriages are supplied mainly by Alusuisse of Switzerland, one of the few companies in the world to have presses large enough to turn out the size of extrusion the carriage builders need.

Aluminium is also finding new applications in the marine industry, where light weight and corrosion resistance are again important. In the oil industry, a recent Department of Energy report suggests that, by turning to aluminium instead of steel, oil rig constructors could save between 40 and and 70 per cent on offshore structures.

Integrated designs, using aluminium extrusions, are often more cost-effective than components put together from standard steel sections

These weight savings could have a major infulence over the viability of the smaller, marginal oilfields now being explored in the North Sea. Possible uses for aluminium in the offshore oil industry include gas cylinders, corrosion-resistant external cladding, walkways and handrails.

Extruded aluminium girders have already been used to support helicopter landing decks on offshore rigs. These extrusions have built-in fixtures to ensure easy assembly and integral tubes to carry fire-extinguishing foam.

On the calmer waters of the Thames, a shallow-draught, water-jet propelled catamaran is undergoing proving trials as a river bus to operate between the centre of London and its Docklands area. When a public service begins, probably in the summer of 1988, it will be a 15-minute trip from Chelsea Harbour to Greenwich, the operator, Thames Line, says.

The Incat River 50 catamarans to be used for this service are being built by Aluminium Shipbuilders of Porchester. Aluminium extrusions are used for the hull frames, decking, and the bridging structure between the two hulls.

It is the automotive industry, however, which remains the largest potential user of aluminium in mechanical engineering applications. Aluminium alloy has been used for the cylinder block, cylinder head and pistons of many small petrol engines for some time. Jaguar's newest engine, the six cylinder AJ6 is of all-aluminium construction and is some 30 per cent lighter than the cast-iron XJ40 engine it replaces.

Several component manufacturers are working on new applications of the metal in very high-stress applicationsi such as connecting rods. For this, a new type of materials technology - metal matrix composites - is being applied. Metal matrix composites combine metal alloys with particles or fibres of very stiff materials like carbon or silicon carbide. The result could be stronger, lighter components, leading to further increases in fuel economy and performance.

On a weight-for weight basis, the strength and stiffness of reinforced aluminium components produced using this technique are two to four times that of the metal alone.

Metal matrix composites have been thought impractical and expensive for many years, but now several cast, rolled and extruded components have been produced in the UK from silicon carbide-reinforced aluminium by Alcan Internation in Banbury, and Wellworthy, an AE group company, has produced diesel engine piston parts in aluminium alloy reinforced with alumina ceramic.

Most recently, however, another British company, Cray Advanced Materials, of Yeovil, Somerset, has begun producing aluminium metal matrix composite components using a technique developed originally by managing director Dr Andrew Clifford while working for the UK MoD.

The process, called liquid pressure forming, involves injecting liquid metal into a mould which already contains the fibre reinforcement. Dr Clifford says that using this technique, complex shapes can be formed to very precise tolerances.

His company has already used its technique to produce a torpedo hull which, Dr Clifford says, would have been difficult, if not impossible, to make by any other means.

Other possible applications for this new strong, light and high-temperature resistant group of materials include brake callipers for cars, gas cylinders, robot arms, overhead pantographs for electric trains, and marine propellors.

Richard Wood is Editor of Engineering.

Packaging

Uses continue to be extended

THE BRITISH like to take their drinks from a can. The French, with their wine-drinking tradition, have a strongly-entrenched glass bottle tradition.

West Germany also has a strong bottle industry although it is second only to the UK among users of cans. Cans are also preferred in Sweden, Italy and Greece.

But where Europeans use on average 30 cans a year, in the US the figure is 195 - there the can is as indispensible as the car.

The beer and beverage can market may be one of the most important packaging end users of aluminium but the range of packaging uses continues to expand: from trays for frozen foods, to bottle and cannister seals. From collapsible tubes for toothpaste and cosmetics to foil wrapping for dairy foods, barrier layers for sachets, backing for blister packs and foil-lined cartons for fruit juices.

Then there is foil sheet, sold by the roll in supermarkets and shops for kitchen and general household use. British Alcan, and Star, a subsidiary of Alusuisse, are the UK leaders in this field, and Star, for example, is undertaking a big investment at its Bridgnorth works to stay ahead.

Cans mean aluminium or tinplate. For years tinplate was king but now aluminium has grown to the point where it shares the market. Mr Alan Aylesbury, president of the Aluminium Federation and managing director of Alcoa Manufacturing (GB), believes aluminium could make even greater inroads into the packaging market were it *not* or the fact that tinplate is "protected."

No government would want to see the steel industry decline even further, he claims, and so it is given every opportunity to find a market for its products. Even the European Commission in Brussels looks more favourably on steel production areas than almost any other product.

Even so, the outlook is good, he says. "After years of recession the industry turned the corner in 1985, and both 1986 and this year have been extremely buoyant for the fabricators.

"Every concern in Britain that has rationalised can compete on a confident basis with producers around the world. Our only worry at the moment is over the hike in the price of the primary metal. We would certainly like to see it come back to more sensible levels."

Alcoa is one of the concerns which has rationalised heavily. "There were a lot of difficult decisions to be made. We pulled out of secondary smelting at Aylesbury; sold the foil side to British Aluminium, and pulled out of our distribution system."

'Our only worry at the moment is over the hike in the price of the primary metal'

At the heart of the strategy was the decision by Alcoa to concentrate on one main product: can ends and ring pulls. "By concentrating, we have got our costs down and gone from strength to strength. We now have a plant capable of turning out 60,000 tonnes a year, all aimed at the European market."

To hold that position Alcoa is just about to start a £21m investment programme at Swansea, not only its main production works in Europe now but also its UK headquarters and, it claims, the city's largest employer with 850 employees.

Within Europe's packaging market there are important cultural differences in consumption, according to Mr Graham Watts, marketing manager of British Alcan Sheet. Writing in the July-August issue of Aluminium Industry, he says that while the UK has above average consumption of drinks cans and easy-open ends, it has low consumption of foil. In France, by comparison, can consumption is low and in West Germany, "where even pet food is canned in aluminium foil containers, foil consumption is very high." The UK is now a significant user of aluminium packaging for fish products such as canned sardines, and olives and meat paste, and - still a miniscule market - wine in small cans. But while the market for aluminium packaging for these and other uses is booming, the producers are keeping a watchful eye on on the alternatives, such as glass and plastics, as well as tinplate.

Of considerable importance to the industry is the move to recycle aluminium cans, which is not only ecologically sound with a beneficial effect on the economy, it also provides a cheap source of material. Cans can be recycled into ingot using just 5 per cent of the energy costs needed to produce new metal.

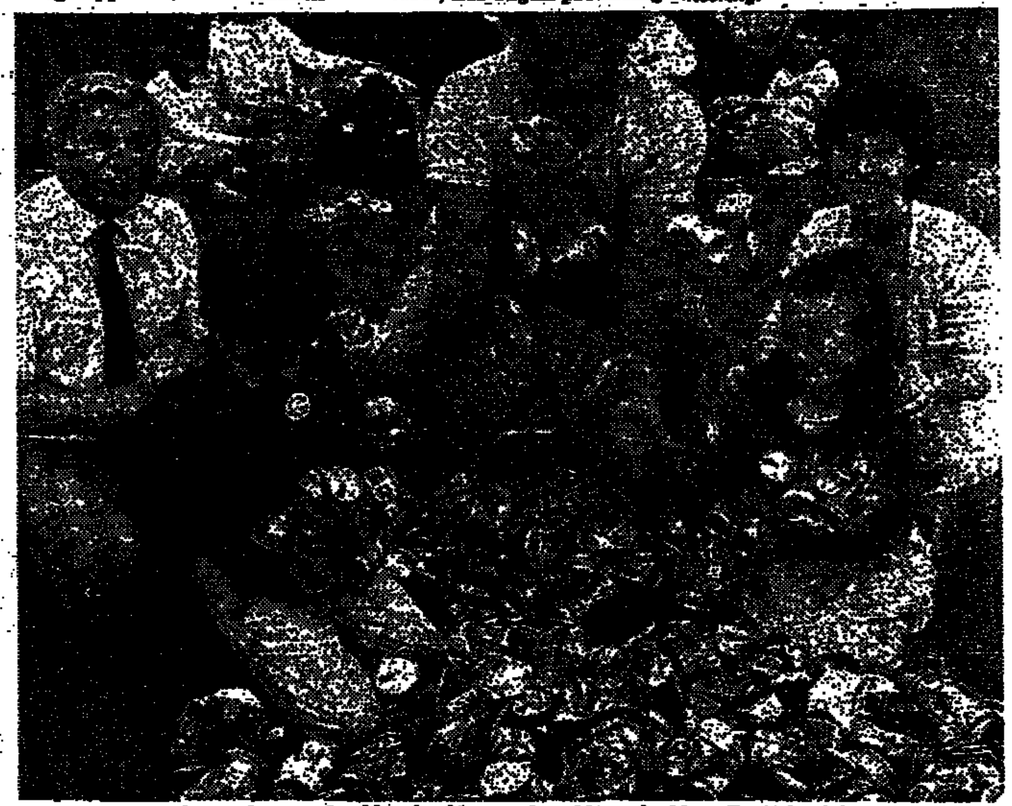
Mr Aylesbury says: "Nothing irritates me more than seeing all those ring-pull tops around the place. Recycling is an under-exploited feature of the industry."

He cites the progress made in the US, where the environmental and ecology lobby has made deep inroads. There, the all-of-a-piece ring-pull has a strong hold on the market and more than half the cans produced are recycled.

In the US, 590,000 tonnes of aluminium is recycled each year, earning more than \$200m for the charities and collectors. The tonnage is almost as great as that used in West Germany, the leading European consumer. In the UK cans with a total value of £24m are buried as waste each year.

"Even without recycling," Mr Aylesbury says, "the potential for growth in packaging is enormous. With it, there is no knowing what we could achieve."

Anthony Moreton



David Bellamy visits a primary school involved in a nationwide project to collect aluminium drinks cans for a Third World tree-planting scheme